

JPRS-UIA-89-016  
30 OCTOBER 1989



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# ***JPRS Report***

## **Soviet Union**

***International Affairs***

19980506 137

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# Soviet Union

## International Affairs

JPRS-UIA-89-016

### CONTENTS

30 OCTOBER 1989

#### WORLDWIDE TOPICS

Seminar on Social Democrats, Second International .....	1
Editorial Introduction	
[Unattributed; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	1
Opening Remarks	
[V. M. Falin; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No. 4, Jul-Aug 89] .....	2
Controversies Among Social Democrats	
[T. Mayer; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	3
Second International Praised	
[Yu. A. Krasin; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	5
"Europeanization" of Workers Movement	
[E. Manzh; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	9
Communist-Social Democratic "Solidarity"	
[T. T. Timofeyev; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	11
Communists, Social Democrats "Coming Together"	
[G. Tamburrano; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	16
Chinese Working Class	
[J. Minyi; <i>RABOCHIY KLASS I SOVREMENNYI MIR</i> No 4, Jul-Aug 89] .....	18
Head of Society for Friendship With Foreign Countries Interviewed	
[V. Tereshkova; <i>ARGUMENTY I FAKTY</i> No 39, 30 Sep - 6 Oct 89] .....	21

#### EAST-WEST RELATIONS

Radio Liberty Said to Advocate 'Pan-Turkism'	
[B. Suzhikov; <i>KAZAKHSTANSKAYA PRAVDA</i> , 14 Sep 89] .....	25
Legal Aspects of CEMA-EEC Relations Analyzed	
[Yu. Yumashev; <i>KHOZYAYSTVO I PRAVO</i> No 5, May 89] .....	27

#### SOCIALIST COMMUNITY, CEMA

Deputy Trade Minister on Trade with CEMA Countries	
[S. Sarukhanov; <i>SOVETSKAYA TORGOVLYA</i> No 8, Aug 89] .....	30
Bogomolov Views Economic Models For Socialist Countries	
[I. Bogomolov; <i>EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV</i> No 8, Aug 89] .....	33

#### GENERAL ECONOMIC AFFAIRS

Perestroika Dependent on Direct Republic Foreign Economic Ties	
[T. Manasaryan; <i>KOMSOLETS</i> 15 Jul 89] .....	37
Options for Financing Joint Ventures Viewed	
[A.L. Smirnov; <i>DENGI I KREDIT</i> No 7, Jul 89] .....	39

#### WEST EUROPE

Economic Ties with Switzerland Discussed	
[B. Rachkov; <i>EKONOMICHESKAYA GAZETA</i> No 38, Sep 89] .....	44
Italian-Soviet Economic Ties Highlighted	
[Trade Statistics Cited] <i>[EKONOMICHESKAYA GAZETA</i> No 37, Sep 89] .....	45
[List of Joint Ventures] <i>[EKONOMICHESKAYA GAZETA</i> No 37, Sep 89] .....	46

#### EAST EUROPE

Romanian Coverage of Soviet Reforms 'Limited,' 'Restrained'	
[A. Sidorov; <i>SOVETSKAYA MOLODEZH</i> , 13 Sep 89] .....	51

**LATIN AMERICA**

- Economic, Social Effect of U.S. Nicaragua Policy  
[A. Kamorin; *ZA RUBEZHOM* No 24, 9-15 Jun 89] ..... 53

**CHINA, EAST ASIA**

- Overcoming Economic Deficiencies, Social Resistance in China  
[E.S. Kulpin; *Moscow NARODY AZII I AFRIKI* No 2, Mar-Apr 89] ..... 58
- Soviet-Chinese Joint Venture to Produce Disposable Syringes  
[B. Barakhta and A. Rudenko; *PRAVDA*, 24 Sep 89] ..... 65

**NEAR EAST & SOUTH ASIA**

- Turkmen Official on USSR-Iran Trade Agreement  
[K. Akhmedov; *SOVET TURKMENISTANY*, 4 Jun 89] ..... 67

## Seminar on Social Democrats, Second International

### Editorial Introduction

18070764 Moscow *RABOCHIY KLASS I SOVREMENNYY MIR in Russian No 4, Jul-Aug 89*  
pp 35-36

[Editorial introduction to seminar: "The World of Labor and the Fate of Mankind" held in Moscow on 23-25 May 1989]

[Text] On 23-25 May 1989 the international seminar on "The World of Labor and the Fate of Mankind" was held in Moscow. The meeting, which was organized by the CPSU Central Committee Institute of Social Sciences and the USSR Academy of Sciences Institute of the International Workers' Movement in conjunction with the AUCCTU, was timed to coincide with the 100th anniversary of the Second International and the May-day. The seminar participants were scientists and political leaders representing the communist, socialist, and social democratic parties and trade unions from 25 countries of Europe, the Asian-Pacific Ocean region, Africa and America.

In the course of a free exchange of opinions, the meeting participants discussed questions associated with the history and current tendencies of the international workers' movement, the traditions of May-day and the development of worker solidarity in the face of global problems. The various ideas, viewpoints, evaluations and conclusions expressed by the speakers were concentrated primarily around such topics as "All-human and humanist values in the ideological principles of the workers' movement", "Renewal of socialism and the world labor movement", "Means of developing the liberated countries and the working class", etc.

Altogether, over 50 persons spoke at the seminar. Among them were: Doctor of Economic Sciences V. M. Falin, CPSU Central Committee member and chairman of the CPSU Central Committee International department; Doctor of Philosophical Sciences Yu. A. Krasin, rector of the ION [Institute of Social Sciences]; T. T. Timofeyev, corresponding member of the USSR Academy of Sciences and director of the USSR Academy of Sciences IMRD [Institute of the International Workers' Movement]; G. Meyer, director of the G. Heinemann Academy (FRG); Shao Minyi [Chzhao Minyi], vice president of the All-Chinese Society for the Study of Foreign Socialism; E. Mange, director of the Vanderhelde Institute, member of the Belgian Socialist Party Buro (Flamand); E. Zigler, member of the Socintern Buro, professor at Geneva University and the Sorbonne (Switzerland); G. Tamburrano, chairman of the Pietro Nenni Foundation, member of the leadership of the Italian Socialist Party (who also presented the written text of the speech by ISP secretary and Socintern Deputy Chairman B. Carxi); Doctor of Philosophical Sciences S. P. Gey, Politburo member and secretary of the Central Committee of the Senegal Independence and Labor

Party; K. Douglas, chairman of the Socialist Unity Party of New Zealand, president of the New Zealand Council of Trade Unions; G. Steiner, professor at Vienna University; Doctor of Philosophical Sciences D. Pretel, member of the Spanish Communist Party Central Committee; H. Heiman, deputy director of the G. Heinemann Academy (FRG); K.-H. Kler, personal representative of Willy Brandt; Ya. Yemniti, section chief of the Hungarian Academy of Sciences Institute of History; Professor D. Dimitrov (PRB); B. Pimlott, professor at London University; M. Lovi, head of sociological studies at the National Center for Scientific Research (France); E. Moore, chairman of the Commission on the History of the Communist Party of Great Britain; S. Zhivanov, professor at the political science department of Belgrad University; Kh. Petrak, first deputy director of the SED Central Committee's AON [Academy of Social Sciences] Institute for the Study of Imperialism; V. V. Laynaz, department chief of the Center for the Study of Western Europe under the Cuban CP Central Committee; Kh. Vakabayasi, representative of the Institute of the International Workers' Movement (Japan); A. Panaccone, representative of the Brodolini Foundation (Italy); R. Nekk, president of the Lints International Conference of Researchers of the Workers' Movement; P. Korpinen, director of the Institute on the Study of Economic Problems of Workers (Finland); L. Lindhagen, representative of the Institute for the Study of Labor Problems in the Social-Democratic Party; S. Bunpon, secretary of the Federation of Laotian Trade Unions; Ya. Yanitskiy, chief of the ideology section, PZPR Central Committee; L. Oyuugerel, senior scientific associate at the ION [Institute of Social Sciences] under the MPRP Central Committee; Doctor of Economic Sciences Yu. Roysh, deputy director of the Institute for Marxist Studies (FRG); N. Castro, secretary of the Revolutionary-Democratic Party of Panama; K. Mancina, member of the ICP Central Committee, deputy director of the A. Gramsci Institute; G. Legrand, governing board member of the Institute for Marxist Studies (France); T. Rentsenbyam, instructor at the Higher Party School of the MPRP Central Committee; M. Semela, representative of the CSSR Revolutionary Trade Union Movement Central Soviet; E. Ortega, associate at the Cuban CP Central Committee's Center for the Study of Western Europe; Doctors of Historical Sciences A. A. Galkin, I. M. Krivoguz, Candidate in Economic Sciences S. N. Semenov (CPSU Central Committee Institute of Social Sciences); Doctors of Historical Sciences B. I. Koval, E. V. Klopov, V. G. Gelbras, R. Ya. Yevzerov, A. M. Salmin, Z. P. Yakhimovich, Doctor of Juridical Sciences O. V. Martyshin, Candidate in Economic Sciences S. V. Patrushev (USSR Academy of Sciences IMRD); Doctor of Economic Sciences A. I. Volkov (CPSU Central Committee Academy of Social Sciences); Doctor of Economic Sciences B. S. Orlov (USSR Academy of Sciences INION [Institute for Scientific Information on Social Sciences], and Doctor of Economic Sciences K. K. Shirinya (CPSU Central Committee IML [Institute of Marxism-Leninism]).

The results of the meeting confirmed the desire of scientists and leaders of the workers' movement of various orientation to expand contacts and develop a dialogue on the current problems of the international workers' movement. Many of the speeches were devoted to interpreting the turning-point character in the development of civilization, the joint search for means of solving new problems which have arisen before the workers' movement at the threshold of the 21st century and which persistently demand constructive cooperation and international solidarity from its main currents.

The materials of the discussion will be reflected on the pages of the journal *RABOCHIY KLAS I SOVREMENNY MIR*. Specifically, in this issue we begin to acquaint the readers with the speeches of a number of Soviet and foreign seminar participants.

### Opening Remarks

18070764 Moscow *RABOCHIY KLAS I SOVREMENNY MIR* in Russian No 4, Jul-Aug 89 pp 36-37

[Introductory speech presented by V. M. Falin at the international seminar, "World of Labor and Fate of Mankind" held 23-25 May 1989 in Moscow]

[Text] Today we have been brought together by an important cause. It has been 125 years since the founding of the First International. We are also celebrating the 100th anniversary of the Second International and its decision to proclaim a Day of International Solidarity of Workers—I May.

By generalizing our experience—both individual and joint, we are given the opportunity to more precisely determine where we stand, what constitutes the qualitative difference of the current world from that which our teachers knew, those who stood at the wellsprings of the socialist workers' movement, what portion of their predictions and their speeches has justified itself—sometimes with amazing accuracy, and what, on the contrary, life has not confirmed.

There can be no doubt—the world has changed to the point of being unrecognizable. And this is not only the result of the development of science and technology. It is no less the result of the active struggle of the workers, the broad public masses, for their social rights, for the right to have a voice in deciding their own fate. It is the result of democratization of civilization, the entry of peoples onto the world arena as active creators of history.

Today the workers' movement and the social democratic and communist parties are faced with many new problems and tasks. It is not without some difficulties that we begin to understand that there is something more important here than the former contradictions and divergences. There is clearly something more serious and fundamental here which must, especially in critical situations, help to verify our approaches, our positions, and our responsibility. Today a right or wrong step will

determine whether there will be a tomorrow for all of us, whether the human race will continue to exist, or whether we will be its last representatives.

To what degree is the realization of prerequisites for a peaceful future, about which M. S. Gorbachev spoke in December of last year at the session of the U.N. General Assembly, represented by the task which we are fulfilling? To what degree does this depend on us, on the party, which has written in its programs that it serves the interests of the majority, the interests of the workers? To what degree can we influence the action of governments, the positions of parliaments, the making of decisions which are called upon to make the world a more reliable and stable place?

Today we cannot maintain that high-level policy is formed only behind closed doors, that the masses are incapable of effectively influencing the directions of development. More likely the opposite is true. If there are positive changes, it is largely due to the activity of people of good will in all countries. If the world better understands that militarism and the policy of force is mankind's past, and not its future, that there is a prudent alternative to confrontation, and that it consists of good will and mutually beneficial cooperation, then we have achieved this goal largely through joint and parallel efforts, through the enlightenment work of our parties and our movements.

You have come to our country on the eve of the opening of the USSR Congress of People's Deputies. The reform of the Soviet Union's political system is rising to a new and higher level. The Congress is called upon to say a qualitatively new word in favor of democratization, in favor of such transformations which not only strengthen perestroika, but also ensure the irreversibility of the cause which has been undertaken, which will allow us to realize true people's power—people's power for which the October Revolution took place, and for which our people and our party have suffered great sacrifices. Never has our country known such pluralism of opinions, such direct expression of various interests and viewpoints on the present and the future. Now all of this must be forged into decisions which are optimal for society, into new laws and new actions by the organs of authority which the Soviet people await and welcome.

Our friends find themselves in a country which sharply differs in its atmosphere from everything that they observed even 4-5 years ago. You see before you an open society, a society of people who have tasted freedom, perhaps not yet entirely knowing how to handle it correctly, since they still lack democratic culture. You are dealing with a society in which the human individual is taking on internal value, where conditions are being created for expressing and realizing one's individual potential. This is a society of people who finally recognize in full measure the fact that they are masters of their own country, that they and they alone will determine what kind of a country this will be.

And one more thing. We have proclaimed a new political thinking and turned to all the countries of the world not simply with an appeal to become our partners, friends, and good neighbors. The Soviet Union has proposed a specific business program for solving practically the entire catalog of international problems—the democratization of international relations, the regulation of regional conflicts, disarmament, environmental protection, application of resources currently being used for the arms race to improve the life of the people, especially in the “third world” countries. Together we must see that the chance we are being given to humanize civilization does not go in vain. Only in this way will we fulfill our duty to those living today, as well as to the coming generations.

In the name of the CPSU Central Committee, I wish the seminar participants success in their work. I am convinced that such meetings will become a good and kind tradition. They will promote our calling toward peace and toward each other and prevent the repetition of grave errors and miscalculations which at one time polarized us in different directions, and for which the workers’ movement has had to pay a heavy price. We simply do not have the right to make new errors. We must all remember this.

#### Controversies Among Social Democrats

18070764 Moscow *RABOCHIY KLAS* I  
*SOVREMENNYI MIR* in Russian No 4, Jul-Aug 89  
pp 38-41

[Speech by Tomas Mayer: “On the Program Discussions in the Social Democratic Movement”, presented at the international seminar “World of Labor and the Fate of Mankind”, held 23-25 May 1989 in Moscow]

[Text] I am convinced that despite all the discussions, we still retain a tangible shortage of correct understanding of program development in the individual socialist parties and of political dialogue on significant questions of general prospects for development. This deficit forms one of the obstacles to effective coordination of European policy of the socialist parties at the current stage.

Stemming from the asymmetry of the neoconservative course and policies of the socialists (to the detriment of the socialist parties) is a significant asymmetry in the need for coordination of political conceptions on a European and world scale between neoconservatism and social-democratism.

At such a time when the basic political problems can hardly be resolved on a national scale and require the closest international cooperation, we still do not have a cohesive and meaningful dialogue about the **future progress** in our changing world. The notion that national problems are of primary importance, while European coordination only augments them, is an erroneous one. Our chance consists of developing a joint common European project for the future based on our respective positions.

We must proceed from the thesis of the initial non-simultaneity of development of the programmatics and politics of the European socialist parties, which is associated with cultural traditions, level of economic modernization, and specifics of the situation in different countries. However, non-simultaneity deserves comment only to the degree that the general meaning and general direction of development of individual countries is already being assumed.

From the time of emergence of the workers’ movement, the conception of the means and goals of democratic socialism has passed through three major periods of discussion on paradigms, and today, in our opinion, we find ourselves in the initial stage of the fourth great historical discussion of this sort. The program discussions within individual West European socialist parties are associated with such paradigms, as is the division of the European workers’ movement into the communist and social democratic wings.

Each of the great debates on paradigms have reflected contradictory perspectives of their epochs and the capacities of socialist strategy, and have thereby facilitated the self-determination of the socialist parties, placing an imprint upon their programs, and partially also upon their practice.

The first great paradigmatic debate occurred in the 60’s-70’s of the 19th century between the anarchists and the Marxists. It centered around the question of whether the road to a free society leads through the winning of state power, or whether this is achieved by means of creating subsidiary communes alongside the state which holds power, and ultimately—eliminating the existence of the state. The discussion centered around whether a centralized state can in general facilitate the transition to general self-government, or as Prudoun and Bakunin stressed in their polemic with Marx, whether it can ultimately ensure merely a transition of the guardianship over society from the power of capital into the hands of the state bureaucracy.

This debate was not an accidental misunderstanding. It reflected the radical liberating character of the notions of this epoch. This was a collision of illusory goals with realistic strategy. If we present the question of full self-determination of people in their world of work and life—and the Marxists spoke out energetically in favor of this, then it would be difficult to understand how centralized state actions in the heart of Europe could serve as the basis for a strategy to achieve this goal. The main argument of the Marxists was the thesis that in a society where private ownership reigns, the prerequisite for communal living based on self government must be that stage when the state acts as the total authority of all society, or in other words, an organized total counter-power which takes power away from the owners of private property.

One other circumstance is significant. From the very beginning, socialism in the Marxist theory was faced

with a paradoxical and contradictory dual challenge: On one hand to provide self government of man in the world of labor, and on the other—rational organization of all social relations. The latter goal represents the most important socialist counter-utopia directed against the anarchy of the capitalist market. However, its implementation cannot be imagined in any other way than by the coordinated efforts of the state. In the course of the first great paradigmatic discussion on socialism, both debating parties emphasized one of the sides of the socialist project, counterposing it to the other side.

The first debate about paradigms led to a division of the workers' movement in Europe. The anarchistic and anarcho-syndicalistic tradition became affirmed in the Mediterranean region, and the "estatist" strategy—in the parties of Northern and Central Europe. It is true, sometimes the critical tendency in relation to the state also came to life here, but only as an ancillary current or as a temporary phenomenon.

With the creation of the Second International in 1889, all the parties wishing to join it had to acknowledge the political path of emancipation of the labor movement, i.e., the estatist strategy. Today, when we have encountered new problems which are often engendered by excessive estatist strategy of the socialist parties, and with the crisis of large organizations in general, the anarchist argumentation takes on a new currency for certain European countries, and especially for the socialist parties. The question of the principle renewal of the relation between civil society and the political state plays a leading role in the latest programs and in the program discussions of the French, Italian, Austrian, Dutch and German social democracies.

The second great debate on paradigms began in the 80's-90's of the 19th century in many of the socialist parties, and continues with varying degree of acuteness even to the present day. Today it is associated primarily with the name of E. Bernstein, but in England (the discussion of the Fabians), Italy and other countries it was fully formulated even before the emergence of Bernsteinian revisionism. This debate is still not concluded, although we may assume that in the last decade there has been greater rapprochement between the European socialist parties on all the questions associated with it than there was in the preceding century.

This discussion does not center around the question of whether we should adhere to the goal of creating a socialist society or reject it for the sake of adapting socialists to a capitalist economy. Rather, the debate centers around the essence of the reforms: Are they an element of socialist transformations, or do they represent merely a prologue to a specifically socialist policy? The reformists were content with the fact that in practice their parties adhered to the strategy of reforms, having abandoned theory and programatics to the faithful guard of enlightenment. The revisionists were not content with this and wanted to achieve a review of theory and programs in order to bring theory into line with

practice, and then subsequently to follow the path of reform. They admitted that the socialist transformation of the super-complex economy of an industrial society should never lead to a full expulsion of private property and the mechanism of market regulation. With the level of development which had already been achieved in the countries of Western Europe, this would have led only to a bureaucratic stifling of social ties. It would have blocked the economic dynamics and growth of labor productivity, and would have undermined the possibilities for participating in decision making within the sphere of production.

The third great debate on paradigms was that which resulted in the schism of the labor movement into a socialist and communist wing. It centered around the question of whether a radical transformation of society really needed the "dictatorship of the proletariat" in the form of a dictatorship of the bolshevist parties, or around the thesis that democracy and socialism coincide, and in this case any divergence from democracy is a departure from socialist tradition.

Today, when under the influence of perestroika in the Soviet Union and in certain East European countries the problem of dictatorship is being reviewed in favor of democracy and pluralism, this discussion about paradigms surprisingly facilitates a rapprochement of part of the communist world with the world of democratic socialism. The prospect of a new understanding on an all-European scale is arising, as well as the prospect of clarifying the notions of the goals and means of socialism. And since democratic socialism is a significant element in European identity, which is related to the great spiritual, cultural and political values of Europe, new prospects are arising for self-affirmation of Europe and for bringing about all-European cooperation.

While the old contradictions, whose roots emanate from the great discussions on paradigms, are retained within the framework of democratic socialism, European social-democracy itself is at the stage of its **fourth** historical debate on paradigms. This is confirmed by even a cursory glance at the program discussions in the Socintern, in the Union of Socialist Parties of the European Community, and in all the European socialist parties. According to my deep conviction, new ideas and controversial questions here are just as principled and even more fraught with consequences than the controversial questions in the three preceding discussions on paradigms.

And although the classical arguments and contradictions of democratic socialism certainly have not become outdated, a new generation of political problems has emerged, engendered by the "crisis of progress". These political problems, which before were not on the agenda of the program discussions of socialists, today have taken on first priority importance not only for the socialist parties, but also for the broad strata of the community in all the industrially developed countries of the West. We are referring to the following questions:

- categories of economic growth;
- ecological dangers;
- problems of social management of technology;
- the future of the world of labor;
- the question of energy sources which are safe for society;
- new individualism;
- new forms of collective security.

It would not be an exaggeration to say that the subject of debate has become the very model of industrial civilization as a prerequisite to the new social project.

Within the new program discussion, in a number of European socialist parties a great role belongs to the questions of preserving the natural fundamentals of life, social control over technologies, and the risk associated with the policy of intimidation, which is based on the capacities of mass destruction weapons. Here the socialist parties see a threat to the physical foundations of the life of mankind.

Also associated with this evaluation is that radical nature with which new political problems are discussed, and that sequence in which the "image" of progress is reviewed. We might say that we are speaking of a new revisionism. However, this time it is associated not with the questions of the rates of political reforms, but with the reconstruction of the model of industrial civilization as a whole. This creates a basis for rapprochement of the positions of the European socialist parties. The new drafts of their programs developed in the last 2-3 years are based on the recognition of the same priorities, and primarily on the thesis of the importance of mankind's physical survival—the basic goal of their policies.

European socialists have travelled a long path of education and assimilation of new ideas. They must overcome the discord engendered by a shortage of dialogue through dialogue itself, and those differences which are determined by tradition and specifics of the situation they must fruitfully develop for the common good.

What we really need is an intensive all-European dialogue.

### Second International Praised

18070764 Moscow *RABOCHIY KLASS I SOVREMENNYI MIR* in Russian No 4, Jul-Aug 89  
pp 41-47

[Speech by Yu. A. Krasin: "The Second International: A Legacy of the Past—In Service to the Future" presented at the international seminar, "The World of Labor and the Fate of Mankind", held 23-25 May 1989 in Moscow]

[Text] In marking the 100-year anniversary of the Second International, we must, I believe, stop and think

about its far from synonymous and contradictory experience in light of that unprecedented challenge of the times which the workers' movement and all of mankind encountered at the outset of the 20th century. The role of self recognition of the workers' movement plays a significant role in seeking an adequate response. This anniversary gives its various currents a good reason to take a fresh look at themselves, at their mutual relations, to try to isolate from the heritage of the Second International all that is of value for cooperation in the solution of current problems.

The quarter-century history of the Second International is an entire epoch in the life of the workers' movement. If we speak of its main achievement, it consists of formulating a flexible mechanism of international relations and international solidarity of the labor movement. This mechanism was made up of the International Congresses, the activity of the International Socialist Bureau, international committees, conferences, the organization of mutual aid and joint presentations of the socialist parties, trade unions, socialist women's youth, journalist and other organizations.

With the help of the International, the numerous labor parties were strengthened and turned into a serious political force. There was a strengthening of the trade unions and cooperatives, and millions of workers were involved in the struggle. The ideas of socialism became widespread. There was a sharp increase in the effect of the working class on the development of society and on the entire political climate in Europe: The bourgeoisie were forced to deal with the working class.

The Second International made a significant contribution to developing the forms and methods of the workers' struggle: The organization of the strike movement, political strikes and demonstrations, the exercise of bourgeois-democratic freedoms, parliamentary and local elections. All this led to an improvement in the position and an expansion of the rights of the workers, as well as to an enrichment of the political culture of the labor movement. Even today the theses of the International on reduction of arms, armies and military budgets, on the support of liberation movements by oppressed peoples, on the peaceful resolution of international conflicts by courts of arbitration, on the struggle against wars of plunder, and on the connection of the struggle for peace with the struggle for power are all quite current.

In short, following Lenin we say with full justification that there is historical merit in the work of the Second International, there is an achievement for all time, "which the class-conscious will never deny..." (Collected Works, Vol 39, p 101).

Of course, the life of the Second International was not idyllic. It also had its difficulties. To a large degree they were determined by the fact that non-synonymous, contradictory processes which were taking place in the world at that time seemed to be focused within this organization. The peaceful stage of the history of capitalism was



drawing to an end. The army of hired labor was undergoing deep-seated changes. The international labor movement itself was changing, as were the capacities of its national detachments and their relative role. All this often led to an exacerbation of the internal struggle in the national organizations and in the International itself. Finally, it did not withstand the test of the explosion of international contradictions, which resulted in world war.

The principles of historicism and scientific objectivity do not allow us to give the Second International a one-sided evaluation. Its activity was influenced by the strong as well as the weak aspects of the labor movement at that time. However, in spite of all this we may conclude that on the whole it played a positive role in the history of the organized labor movement. The active membership which justified such an evaluation of the Second International may be credited with the following:

- it coalesced within itself and developed the solidarity of various detachments of hired labor workers;
- it stimulated the development of national labor organizations and thereby to a large degree aided in the economic, social and political development of the working class;
- it developed flexible organizational forms which reflected the needs of the objective situation as a whole, which despite certain costs justified themselves;
- there was an international exchange of opinions which took place within its framework, including acute arguments which facilitated a more flexible and comprehensive interpretation of the problems arising before the working class and its organizations.

How, then, can we explain the truly tragic event for the labor movement which was called "the fall of the Second International"?

Having passed through the turbulent events of our disquieting age, we have become wiser in our explanation of the reasons for that which occurred then. Evidently, some clarification is needed here. It seems insufficient to bring everything down to the subjective factor, to errors and misconceptions of the labor party leaders. In reality, all this was much more complex. The chauvenist wave which split proletarian solidarity reflected the prevailing level of mass consciousness. The war, which encompassed the entire zone of the organized workers' movement, showed up its internal contradictions which had been accumulating during the entire phase of historical development. The deep differentiation in the world labor army, the objective multiplicity of its interests, the different order of the tasks of different national detachments of the working class all became clearly evident. All the acuteness of the problem of correlating class and national interests also became

apparent. The crisis of international solidarity demonstrated the inadmissibility of ignoring or underestimating national feelings and interests. Were adequate conclusions drawn? We believe not. It was necessary to experience still other bloody lessons before public consciousness approached an understanding of the full measure of historical significance and scope of this problem.

The first act of the tragedy of division within the workers' movement in 1914 was followed by others which intensified the divergence of the two currents. Could this delimitation have been avoided? At the crossroads of world history, when the Great October socialist revolution presented the workers' movement with an irreversible choice of alternatives, this seemed impossible.

Yet another question is no less important. Considering the fact that the split on the national as well as on the international level undoubtedly weakened the workers' movement, we may rightly ask: Could we have softened the negative consequences of the split and taken the necessary measures to move toward overcoming it? Looking back today over the entire path which has been travelled and balancing out the achievements which were attained, the possibilities which were lost, and the heavy losses, we must evidently give a positive answer to the question presented.

We cannot say that nothing was done in this regard. When the first indications of localization of the October breakthrough and the stabilization of the capitalist system became apparent, Lenin presented the prospective idea of a unified workers' front, whose historical significance could not be evaluated at that time either by the social democrats or by the communists. Fruitful ideas were also born among the social-democrats and, had they been properly evaluated, could have stimulated the unitarian processes. In this connection we may remember the brave endeavors of O. Bauer, which were also not perceived either by the communists or by the social democrats.

Of course, today it is easy to judge the errors and miscalculations of the past. At that time, the burning passions and the inertia of the adopted political courses hindered an objective evaluation of the contradictory tendencies of social development. There were also clear mistakes. Both the Comintern and the Socialist Workers International bear their share of responsibility for the opportunities which were not utilized. Historians have yet to clear away the stratifications and prejudices which have accumulated in this sphere, not for the purpose of drawing up accounts, but rather for recreating the true picture of full dramatism of the history of the workers' movement in the post-October period. In this history, along with acute confrontation, there was also cooperation in the framework of the people's front, both in the first open clash with facism on Spanish soil and in the Resistance movement in the years of World War II.

A retrospective view of all the dramatic trials and tribulations in the mutual relations of communists and social democrats allows us to draw three main conclusions.

*First.* The schism between the two currents in the labor movement was engendered by deep objective reasons, at the base of which was the dialectic character of social development which was implemented in contradictions and through contradictions. Therefore, the schism turned out to be stable and long-term. It is fruitless to place responsibility for it on subjects of the political process alone, especially on some single current in the labor movement, thereby crossing out the objective determination of its positions and political behavior.

*Second.* Whatever pitch the heat of passions and opposition between the two currents in the labor movement may have achieved, objective development constantly motivated them toward cooperation. This need made itself felt most strongly in acute, crisis situations. During such moments, cooperation dominated over opposition.

*Third.* Under different circumstances and at different stages of development, a sort of regularity was manifested: Separate actions weakened the workers' movement, as well as the entire democratic movement. They achieved the greatest success when acting together.

It seems to us that these conclusions have not remained the property of abstract theoretical thought alone. Gradually overcoming the inertia of hatred and enmity which had built up over the years, they are becoming assimilated also into the political practice of the workers' movement. In order to be convinced of this, it is enough to look at those changes which both directions in the workers' movement have undergone during the time which has elapsed since World War II.

The communists have travelled a significant and, frankly speaking, difficult path of re-evaluating, sometimes painfully, many of their values. The purpose of this re-evaluation, first of all, was to overcome the Stalinist conceptions of capitalism and socialism, of class struggle and revolution, and secondly—to theoretically interpret the new realities and the political adaptation to them.

The 20th CPSU Congress gave strong impetus to these processes. New evaluations and approaches were worked out amidst the difficult search. Reviewing the simplified and outdated schemes, the communists enhanced their understanding of progress and the objective tasks of the workers' and national-liberation movements. Recognizing the seriousness of their divergences with the social democrats, the communists raised the question of cooperation with them in the struggle for peace, democracy and socialist reorganization of society. They acknowledged the differences in paths of transition to socialism and the forms of its development, as well as the possibility of achieving socialist goals by peaceful means. We might say that the contours of new forms of cooperation in the workers' movement were being outlined.

Unfortunately, work in this direction was not distinguished by its continuity. At some point it bogged down, and to a certain degree a backward movement became apparent. Stagnation was becoming ever more apparent in Soviet society. Economic development slowed down, and the influence of the ideas of socialism grew weaker in the world. All this had negative consequences, including also for the workers' movement as a whole.

We cannot help but note the changes also in the positions of social democracy. It had travelled a long and tortuous path from the principle of the "cold war" to a recognition of the need for peaceful co-existence and cooperation of capitalist countries with socialist ones. The social democrats began to actively speak out in favor of limiting and reducing armed forces and weapons, eliminating nuclear weapons, and liquidating the centers of war in various regions of the world. They played an important role in easing of tensions between the East and West. The Socintern, it is true, was a little hesitant at first in supporting the national liberation struggle of the peoples, and spoke out in favor of the new character of North-South relations. Overcoming its Eurocentrism, it began to establish cooperation with many parties in the developing countries.

From a prohibition on cooperation with the communists, the Socintern changed over to an acknowledgment of the allowability of joint actions. It is true that ordering of interrelations turned out to be a lengthy and difficult matter. We cannot say that optimal results have been achieved here. Nevertheless, in individual countries in the late 60's-early 70's there emerged spheres of cooperation, and the joint statements for relaxation of tensions and disarmament turned out to be the most promising.

The changes in positions and views of the two currents in the international workers' movement laid the foundation for further progress in their interrelations. Evidently, we have the right to affirm that [these relations] are entering a new phase of their development. The objective conditions of mankind's existence are changing before our very eyes, and consequently so are the tasks facing the workers' movement. The fateful question—to be or not to be—has arisen before mankind in an ominously tangible form. The entire situation on the planet has qualitatively changed. Hundreds of millions of people, new nations and states, social movements and ideologies have come to the forefront of political life. The general drive toward independence, democracy, and social justice is being realized in a multi-dimensional and contradictory fashion.

The crisis phenomena in our civilization which are expressed in the growth of militarism and technocracy, the disintegration of the environment, the new forms of alienation of entire social groups, and the economic and cultural backwardness of the developing countries cast doubt on the very type of our current industrial development and stimulate the search for other alternatives.

It is becoming ever more obvious that the problems concerning mankind cannot be resolved by traditional means. A new way of thinking is emerging, and new methods of action are arising. This is true also for the workers' movement. In the course of the search for answers to current problems, many arguments which previously divided the currents in the workers' movement lose their former acuteness. The burden which weighs upon the relations between them is fading into the past to an ever greater degree.

The growing threats to the very existence of human kind motivate all the currents of the workers' movement to search for such a model of ensuring international security which would correspond to the principles of the new political thinking. The discussion of these questions evoked widespread agreement on the fact that it is necessary first of all to replace the conception of maintaining peace on the basis of force or threat of its application with the conception of a stable and consciously regulated peace based on a balance of interests and mutual security, equal for all. There is a growing readiness to pursue common efforts in solving global problems in the economic, ecological, and humanitarian spheres. A far-reaching unity of views is being formed regarding the need for decisive measures to put an end to the increasing rift between the developed and the developing countries. In the leftist camp there is an understanding of the fact that the multi-faceted Europe, which is divided by a social barrier from the Atlantic to the Urals, has great reserves for cooperation in economics, ecology, politics and culture. A unifying factor is also the readiness to pursue mutual efforts in defense of human rights, and the adoption of the notions of democratization and humanization of international relations.

The specific problems of the workers' movement are also becoming the subject of constructive cooperation. The technological revolution demands a search for a democratic alternative to neoconservatism which, striving toward economic rationality, sacrifices the vital interests of the working people and social fairness, and justifies the growth of social inequality. The common concern of the labor parties is to give an answer to this challenge which considers the new realities and stimulates the processes of renovation which they have conditioned. As shown by the international "roundtable" organized in late 1988 by our institute in conjunction with the USSR Academy of Sciences IMEMO, whose materials were published in the journal *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA*, the democratic alternative is the common problem of all modern societies. In the broad sense this is a search for a humanistic response to the demands of technological progress as a counterbalance to the strong tendencies toward technocratism and soulless economic rationalism which are engendered by this progress.

The current dynamic reality, without eliminating the differences between the currents in the labor movement, gives room for comparing experience and seeking optimal solutions to problems of current times within

the framework of socialist tradition. In this case, the very differences, including ideological, are certainly not necessarily perceived through the prism of confrontation. It would hardly be correct to dramatize the existence of differences and to evaluate them in a purely negative manner. The facets and contradictions of complex social processes are illuminated more deeply and fully through them. These differences may become the source of a movement of thought, a stimulus for intensive theoretical search, and a means of mutual enrichment.

Both currents of the workers' movement are faced with the need for renewing their ideological-political trap-pings. Active creative work is going on within their ranks. We may try to formulate certain basic directions in this work, which are in the channel of socialist tradition and present common interest for the entire labor movement. Among these directions we will name the following:

- the change in outdated notions about socialism and the development of its modern conception;
- the study of the content and means of peaceful social progress under conditions of an integral, mutually dependent and contradictory world;
- the development of principally new ideologies toward the system of international security and toward peaceful political and economic order;
- the substantiation of a democratic alternative to neo-conservatism and economic rationalism, oriented toward socialist and humanistic values;
- the provision of irreversibility of the process of democratization of society, its spread to all the spheres of life;
- the identification and realization of a most effective model of social transformations for the developing countries;
- the determination of means and forms of international interaction of the forces of the workers' and democratic movements.

Deep-seated qualitative changes taking place in the world of socialism (restructuring of Soviet society, renewal in other socialist countries, democratization and ratification of glasnost, constructive foreign policy in the spirit of the new political thinking) facilitate the purification of the spiritual and political atmosphere of prejudices in regard to the communist movement and its goals. A more favorable climate is being formulated for developing contacts between the democratic powers and movements, and primarily the parties and organizations of the working class.

An important event in the realization of these capacities has become the Meeting of Representatives of 178 communist, socialist, social democratic, revolutionary-democratic and other leftist parties and movements participating in the celebration of the 70th anniversary

of Great October in Moscow (November 1987). It signified the beginning of broad dialogue of the leftist powers, reflecting the uniqueness of the form of thought and approaches of the various parties to the current realities, their interest in a creative recognition of the world and cooperation of efforts for solving its most acute problems.

In this point we clearly see the continuous connection with one of the most valuable traditions of the Second International—the tradition of democracy and pluralism, unity in multiplicity. The International unified the representatives of countries of different levels of socio-economic and political development. The specific tasks resolved by the participant parties differed significantly. Heated arguments arose on all the basic questions of theory and political practice of the labor movement. However, the organizational framework of the Second International was sufficiently broad so as to allow room for different forces, unified by the common desire to defend the interests of the workers. In all the collisions of its internal life, the propensity toward unity prevailed over centrifugal forces for a long time.

The schism tore apart the connective tissue of the international workers' movement which had been weakened by the harsh war. At that time it seemed that we were speaking of a decisive choice, that it was a question of "either-or": Can the working class develop and act under conditions of capitalism, or has history come to the edge when, saving itself and society from degradation, it must take total power into its hands?

Time has erased the categorical nature of this choice. Life has turned out to be much richer and more complex than the theoretical scheme engendered in a different historical epoch. The multi-variant nature of history has been practically proven, the possibility of various paths of development of the liberation struggle of the workers, and their conditionality based on circumstances of place and time. Strong and weak sides of various models of social progress are becoming apparent, and on this basis the all-human search for the optimal model of the future which answers the main tendencies of technological and cultural development of civilization is being enriched. At the outset of the century, centripetal forces are once again gaining the upper hand over centrifugal ones. The formation of an integral and interdependent world demands the close interaction of all currents of the workers' movement.

A major step in this direction is an open, unprejudiced and friendly discussion by communists and social democrats about the fundamental problems which have arisen with all acuteness on the threshold of the 21st century. Along with the above mentioned general questions of theory and policy, an object of discussion might be also the specific theoretical problems which arise in socialist as well as in capitalist countries. In December of 1988, at the initiative of the SED Central Committee's Academy of Social Sciences and the SED Governing

Board Commission on Values, a meeting of representatives of the European Socialist parties and the communist parties of the socialist countries was held in Freidenberg (FRG). Our speech at this meeting named some of these problems: On the effectiveness of state ownership and state regulation of the economy, on their interaction with market relations, on the roots of bureaucracy and means of counteracting it, on the relation of market and plan, on the interrelation of state and civil society, on the legal state and human rights—political and social, on the functions of social policy under conditions of the technological revolution, on centralism and self government in current societies, etc.

We hope that meetings such as the one at Freidenberg will continue within the framework of the theoretical dialogue. We are very much in need of a joint interpretation of the historical experience of the two currents in the workers' movement which emerged from a single source and which strive toward a single goal—socialism.

We must not be set back by the significant divergences on many problems, including principle ones. If they do not turn into antagonism or into irreconcilable hatred, then a broad spectrum of viewpoints, as we have already noted, may become a factor of strength rather than weakness. Continued living dialogue between the communists and social democrats is capable of helping the international workers' movement restore such vitally important characteristics as openness about the present and a striving toward the future. This would allow the workers' movement to rise to the level of current requirements and to show historical initiative in solving problems with which human civilization is now faced.

### **"Europeanization" of Workers Movement**

18070764 Moscow *RABOCHIY KLAS* I  
*SOVREMENNYY MIR* in Russian No 4, Jul-Aug 89  
pp47-50

[Speech by Erikum Manzhe: "Renewal of Socialism and the Labor Movement" presented at the seminar, "The World of Labor and the Fate of Mankind", held 23-25 May 1989 in Moscow]

[Text] In recent years, social democrats, especially in West Germany, Spain and the Netherlands, are speaking out in favor of closer cooperation between socialists, social democrats, and the trade union movements of various countries. They stand for a transfer of the structure of power to the European level, in practice—to the level of the European community (EC). The process of Europeanization should not be viewed in any other way than "a continuation of the realization of social democratic ideas, but in different forms".

The process of Europeanization, which presupposes a common market and the transfer of power to the institutions of the EC, opens new possibilities for the realization of Keynesian policy. This process facilitates a strengthening of the positions of the social democratic

and trade union movement in the structures of power and in regard to transnational capital.

However, the ever greater inclusion of social democracy into the process of European integration is not without significant difficulties. Here we must note at least two serious problems.

The first consists of the non-uniform economic and social development of the 12 countries entering into the EC. This gives rise to numerous difficulties associated, for example, with differences in the labor wage, in the development of social security systems, etc.

The second problem is associated with the role of the state as the center not only of social and economic, but also of political and cultural integration. The Europeanization of decision making processes in the social and economic spheres with retention of autonomous political and bureaucratic centers in the long-term future will inevitably enter into contradiction with the demands of integration. In the consciousness of the people, national states still remain the priority centers in the cause of ensuring social and cultural integration, as well as political democracy.

These two problems clearly show the difficulties which are present on the road to European integration. There must be no euphoria here. This is the conclusion against that point of view by which supposedly the West European social democracy represents an outdated strata or some kind of national tradition which has outlived its time.

First of all, I would like to focus on the economic program and its relation with the social. The "social democratic compromise" encounters difficulties not only from outside, from the process of internationalization, but also from within, from the process of individualization and computerization of labor, which have had a significant influence on its organization and quality.

Flexible organization of labor which determines an increase in the number of work shifts during a 24-hour period, a shorter work week, free time for pursuing advanced training, re-training, etc.—all this changes the understanding of labor, leads to social integration of the workers, and at the same time—to increased individualization.

We must also note the more or less widespread problem of structural poverty. It is specifically poverty, which exists even in countries of general well-being, that is one of the most acute problems which social democracy must deal with in our day. In a certain sense such a state gives rise to its own specific forms of poverty. Such poverty may be viewed as a purely North European phenomenon. However, it is found everywhere on the continent, and no adequate method of overcoming it has yet been found.

In our day, economic progress often seems to act against the environment. We are convinced that this progress

may exacerbate social problems (or leave them unsolved). However, the most important, from our point of view, is the dilemma: Can we continue to view economic progress as "progress" if it facilitates overall depletion of natural resources and inflicts great harm upon the environment? In other words, will the conception of the "social democratic compromise", which since 1945 has placed its stake on high rates of economic growth, be reviewed in connection with the threat of ecological catastrophe which looms over mankind?

This means that social democracy is acutely faced with the following question: Has the time not come to take a new look at the essence of "social progress" as such? Obviously, this certainly does not mean that economic growth and the organized labor movement lose their importance. However, there is no doubt that they are in need of re-orientation. The real problem lies in developing individual sectors of the economy with consideration for ecological demands. Such reorganization with the application of traditional methods of planning and centralized control is a matter of colossal complexity.

The goal of the socialist parties (and the trade union movement) is to build the "argument of quality" of the environment into the already existing methods of social organization. Moreover, we should concentrate attention more than we have in the past (and this acts somewhat in contradiction with our "liberal" traditions in this sphere) on the problems of consumption quality.

The force of social democracy has always consisted of its capacity to achieve (jointly or in opposition with other power groups) a compromise which was acceptable to all parties. At the same time, the conditions on which the compromise is concluded have radically changed, just as the structure of [this compromise] has changed. The cause of social progress in our time may be promoted only if we reject not only the "eschatological" dream of socialist society, but also that faith in progress which brings all the work of social democracy down to a certain artless "process of engineering design". Man's happiness is not subject to regulation by legal statutes.

The search for a new social democratic perspective in Western Europe must be concentrated around 7 basic problems:

1. *"Harmonization" of the environment and the economy.* This means that we must work out such a criterion for economic development which would guarantee the preservation of our natural resources. This is a question of life and death, and it stands today not only before Europe, but also before the entire world. And this is not simply a question of political or legislative activity. Just as the traditional compromise between labor and capital could not be regulated by the state alone, so the "harmonization" of the environment and the economy is impossible without organized pressure on the part of society.

2. *Reorganization of the system of labor.* The formation of conditions for creating new jobs will continue to

remain the basic social problem. However, today in a greater degree than in past years it is necessary to find the answer to this problem at the level of companies, cooperatives and non-profit organizations.

We must continue work in the direction of a fair redistribution of the work force, constantly monitoring supply and demand on the labor market and not losing sight of the prospects for constantly improving the level of training of *all* workers in the future.

In other words, the tasks of social democracy in this sphere have changed. We are speaking of re-orientating from a course toward achieving "full employment" to measures in the channel of pursuing a policy determined by "market demand for work force".

3. *Increasing and expanding knowledge.* If we want to solve the problems of preserving natural resources in the context of industrial development, one of the necessary conditions is a significant increase in our knowledge in this sphere.

We must provide for comprehensive development of talents, and not squander them. Appropriate capital investments are needed to achieve the necessary level of knowledge and culture. However, these capital investments will be productive only if we are ultimately able to break down the barriers which stand in the way of their distribution, barriers which are determined by levels of income or class origin. In order to be able to do this, we must also reject the existing rigid relations between such periods of human life activity as "education", "work" and "leisure time".

5. *Re-evaluating the role of the state.* The time has come for social democracy to review its position based on the ability of the state to solve problems. And not only because we are experiencing an internationalization of the economy and of the decision making process on social questions. Rather, it is because the masses are changing their attitude toward the state and toward bureaucracy.

6. *Europeanization.* As we have already noted, Europeanization in and of itself is not a step forward for social democracy and cannot serve as a panacea for it. The retention of the ecological balance, the creation of new jobs, an acceptable system of economic regulation, the provision of pluralism of cultural forms—the solution of all these problems requires continued political integration in Europe. Such coordination and integration at the European level is necessary also from the standpoint of ensuring a more effective defense of the European states and the creation of possibilities for increasing the role of Europe in efforts directed at achieving nuclear disarmament and a gradual reduction in international tensions.

The independent role of Europe, in cooperation with democratic American policy, is necessary also to see that the line of economic and military disunification of the European countries is not turned into the line of their permanent disunification in the sphere of culture.

7. *International cooperation based on true solidarity.* We must today, to a greater degree than ever before, develop cooperation between East and West Europe. Political and economic reforms in the East European countries, and especially in the Soviet Union, open up truly historical possibilities in this direction. Ultimately, we must come to the point which M. Gorbachev called the "common European house", or to that which we call "Europe from the Atlantic to the Urals". Our common house needs peace and security. The people in every "apartment" of this house must live in good surroundings and speak freely about everything they wish to say.

In order to become an effective peace-loving force, Europe must put an end to economic inequality between the North and South. In this sense, the European Community must do something more than allocate funds for development and provide financial and technical aid. It must give must more attention to the questions of access to the European market, and among other things, gradually reduce the cost of its agricultural produce, which is much too high.

Europe must—and this is one of the most important tasks facing it—take steps to solve the world food problem. The complexity of this problem is not so much in a shortage of food in the world (this could be solved by means of giving aid) as in the structures of power distributing it. It would be shameful not to solve the problem of hunger, which every day takes the lives of many people.

### Communist-Social Democratic "Solidarity"

18070764 MOSCOW RABOCHIY KLASS I  
SOVREMENNYI MIR in Russian No 4, Jul-Aug 89  
pp 51-57

[Speech by T. T. Timofeyev: "Certain Problems of Development of Worker Solidarity: Traditions and New Measurements", presented at the international seminar "The World of Labor and the Fate of Mankind" held 23-25 May 1989 in Moscow]

[Text] There are a number of factors determining the new conditions and possibilities for cooperation by different currents of the world labor movement, development of international worker solidarity, and interaction [of the workers] with the broadest democratic and peace-loving forces. An important role here belongs to recognizing the breakthrough character of the current period in the development of civilization, as well as stepping up the joint search for means of solving the most important global problems. At the same time, the processes of democratization of socialist society are growing deeper, and the influence of the principles of new political thinking in international relations is increasing.

Complex problems have arisen before the organizations of workers at the new stage of the scientific-technical revolutions under conditions of serious shifts in the international division of labor and intensification of the

integration processes in various regions of the world. Changes are taking place in the structure and general dynamics of employment in industrial centers as well as in the "peripheries" of the world capitalist system of economics. The development of relations along different lines are characterized by new phenomena: "West-East", "North-South", "South-South" etc.

At the same time, it is important to consider the effect of various tendencies and counter-tendencies. We cannot forget about the consequences of the expansive growth of the large "transnational" capital; about the activation of neoconservative circles in a number of countries; about the processes of differentiation, for example, in the developing world, and the influence of traditionalist, including caste, religious and ethnic factors on many of these processes; about the various forms and manifestations of instability under conditions of a serious gap in the levels of development between the center and periphery of the world capitalist system. These processes cannot be ignored by the labor movement and by all the progressive democratic movements.

The desire to renew the positions of the leftist forces, as we understand it, certainly does not exclude a respect for traditions. Moreover, the prerequisites for successful joint actions are largely rooted also in the comprehensive study of past experience, those lessons which the history of the labor movement and its currents give us, with consideration for the evolution of their policy and interrelations. The analysis of the positions of these currents on questions of war and peace, ecological and other problems, their evaluations of changes in the needs and requirements of the working man, their views about the prospects for development of democracy—political, social, and economic, as well as a consideration of the relationship between continuity and innovation in the struggle of the workers and in the development of solidarity—all these factors are of serious importance in the plane of defining such prerequisites.

A number of important "open", pivotal problems were placed before the workers' movement as long as 125 years ago, during the period of creation of the First International. Despite all the differences of their specific-historical situations, the struggle for the goals which they proclaimed continued on a broader scale in the epoch of the Second International. It is no accident that F. Engels, soon after the Paris Socialist Worker's Congress of 1889, concluded that although the International Brotherhood of Workers had existed for only 9 years, the foundations of international cooperation between men of labor which it laid continued to live on. Moreover, they were becoming ever stronger. This was evidenced also by the scope achieved already by the first international celebrations of May-day. Thus, in the May days of 1890, Engels, in speaking of the new stage in the struggle of European and American workers, noted that they stand together for the first time "under a single standard, for a single immediate goal—to achieve legislative declaration of a standard 8-hour work day, which was

proclaimed by the International Geneva Congress back in 1866, and again—by the Paris Worker's Congress in 1889" (1, Vol 22, p 63).

Such traditions developed and grew deeper as the scope of the struggle for social-economic demands and political rights of the workers expanded.

It is appropriate to note that the Paris Socialist Worker's Congress of 1889 was perceived by its participants not only as an "international parliament of workers", a symbol of strengthening the solidarity of workers of different countries, but also as a colossal stimulus for expanding the dialogue with a broader spectrum of democratic forces. It became, in the opinion of many, also an important landmark in the development of world politics and culture, and in the progress of human civilization. Wilhelm Liebknecht, Paul Lafard and other speakers spoke about this in their presentations of 14 July 1889 during the opening of the Paris Congress (2, p 2-4).

W. Liebknecht developed the same idea a year later, when in his foreword to the first German edition of the Congress protocols he stressed: "Today it is impossible to keep silent about the fact that the international workers' congress which met in Paris for the 100th anniversary of the French Revolution, was a great triumph for culture, a great cultural event of the 19th century, and marked the beginning of a new era... And the fact that the success of the Congress was not fleeting—this was once again proven by May-day of the current (1890) year: The first world-wide mighty action of the world proletariat, which prior to this had concluded in Paris a great union of peace, freedom and equality" (2, p IV-V).

The international workers' movement has travelled a long and complex path since that time. In the changing specific-historical situation, various factors have influenced the scope and manifestation of international solidarity of progressive, democratic forces. The conditions and forms of development of international solidarity of the workers and all the peace-loving democratic movements have changed their form in the various historical epochs, just as the depth and scope of social contradictions, the means and methods of their resolution, and the very understanding of social progress have also changed.

In the 20th century the struggle of the workers for social progress in the industrially developed countries became ever more intertwined with the growing national-liberation movements in the countries of Asia, Africa, and Latin America. Under the new historical conditions, an international coalition of progressive democratic forces was being formed, with the participation of organizations representing the workers as well as other social strata.

The changes in the world and the progress of the labor movement, especially in the post-October epoch, have had a serious effect on the all-democratic struggle of the non-proletarian working masses both in the capitalist



states of the West and in the economically backward countries of the East. The effect of the ideas of internationalism on the development of broad solidarity of peoples has been intensified. This was aided also by the democratic potential of the social revolutions, which reflected the interests not only of the working class, but also the broadest popular masses. Often socialist movements of workers, the struggle of the peasants for land, and national liberation demonstrations by oppressed peoples were all fused into a common channel. Such an enrichment of the ideas of international solidarity expressed the demands of the natural-historical process. The slogan of the labor organizations, "Proletariat of all countries, unite!", was filled with new content. And it is no accident that the idea of its supplementation, "Proletariats of all countries and oppressed peoples, unite!" found rather serious support.

The solidarity of the anti-fascist, anti-militaristic forces took on a rather broad scope in the years of struggle against Nazism, and then in the period after the fall of facism and the upsurge in national liberation revolutions in many countries. In the post-war years, there was an even greater increase in the importance of solidarity of the workers' movement with the struggle of peoples of less developed countries for national liberation and social progress.

There can be no doubt that the internal socio-political factors may be utilized all the more successfully with implementation of progressive transformations with more favorable international conditions, and with broader possibilities for international solidarity of the leading peace-loving movements and organizations.

The questions of cooperation between various currents of the labor movement and the strengthening of their interaction with other mass—anti-war, women's, youth, environmentalist, and other—movements have begun to take on new scope and new meaning in the face of exacerbation of global problems in our contradictory yet ever more interrelated world.

Predicting the main directions in the development of world economic ties and in the relations between man and nature, K. Marx wrote about the progress of "world relations based on mutual dependence of all mankind" (1, vol 9, p 230). This conclusion became even more current in the nuclear age, at the current state of the scientific-technical revolution and development of the world market. On the threshold of the third millenium, the fate of civilization is influenced by the intensification of internationalization of social processes to an ever greater degree than ever before.

At the same time, we must note that in connection with the discussion of these problems, sometimes different socio-political forces interpret the concept of international solidarity in different ways, placing different emphasis on some of its measurements. Thus, some pay

their due to the technocratic interpretations of the indicated processes, to their interpretation in a "technopolitical" sense (3). Others give more attention to "politicized" internationalism. Still others, without ignoring the economic problematics, do not always, it seems to me, consider in full measure the entire totality of the social, economic and political factors. Referring to a re-evaluation of values under conditions of a crisis of civilization, to the consequences of structural shifts or to the growth in national self-awareness of peoples, some authors predict "an inevitable weakening" of the ties of solidarity between different detachments and categories of workers.

However, first of all the possibilities for development of solidarity in reality are not declining, but rather increasing, particularly under current conditions when the interdependence of the world community is intensifying, when mutual ties are growing between the processes in different regions.

Secondly, we need a specifically comprehensive, multi-aspectual approach to such problematics. This is reflected, for example, in the following formulas: "For peace and economic security", "Cooperation in the name of common survival", "Disarmament and development", etc. On this basis it is possible to have a rapprochement of positions of a number of international, regional and national organizations which represent different currents in the labor movement. After all, all-human problems may be resolved by means of expanding the equal-rights dialogue and cooperation between various different socio-political forces, between all peoples and states, regardless of their social order. On this basis it is possible to seek out means of solving the problems of survival and development of human civilization. To this we may add that the humanization of international relations creates more favorable objective conditions for progress of forces and movements who are leading the struggle for democratization of social life, for true socio-economic and socio-political progress in various parts of the world (4).

Thirdly, a correct understanding of the dialectics of the national and international has great significance. We cannot ignore the dichotomous process which is intensifying on the borderline of the 20th and 21st centuries. On one hand, this is a tendency toward an increase in multiplicity of forms and means of the socio-historical process. On the other—it is an increased interdependence and mutual influence of processes developing in different countries and regions of the world.

Today it would be useful for us to once again recall the position (traditional for the labor movement) that true, deep international solidarity corresponds also to the national interests of the peoples. In his time, for example, Jan Jores (Zhan Zhores) noted the connection between internationalism and patriotism, and wrote that "superficial internationalism alienates us from our homeland, while deep-seated internationalism brings us closer to it; superficial patriotism alienates us from the



International, deep-seated patriotism brings us to it" (5). A quarter century later, Antonio Gramsci wrote about those who were "only superficially national" and therefore their internationalism was just as superficial. He stressed the importance of freeing the latter from purely "ideological" elements so as to "give it real political content" (6). It is appropriate to compare these statements with the ideas of V. I. Lenin who, for example, ironized on the positions in the spirit of "internationalism for export", when certain politicians may sympathise with "any manifestation of internationalism...anywhere, just so it is not at home..." (7).

The significance of a correct combination of international and national interests is rather great in our epoch. The struggle for mankind's survival, for overcoming inequality and poverty in different regions of the world, for social justice and peace, for disarmament for the sake of development, for joint efforts at seeking solutions to ecological and other global problems—all this makes imminent the expansion of international solidarity between the organizations of workers of different orientation and between all peace-loving forces.

In our opinion, the new situation increases all the more the importance of a comprehensive analysis and clarification of the historical lessons and traditions of internationalism (whose sources go back to the experience of the Internationals in the 19th and 20th centuries), as well as the impetus for their enrichment, which the nuclear age gives us (8).

For a better understanding of the new problems which affect the development of solidarity of the various detachments of workers, we must take into consideration the various processes. Among the most important of them are:

- the changing objective conditions and new aspects of international solidarity associated with the exacerbation in the currently contradictory but also interdependent world of global problems, primarily in conjunction with the increased importance of the struggle for survival and development of civilization, for the preservation and improvement of the environment, for overcoming difficulties engendered by the crisis of development, the difficult financial and economic position of the developing countries, etc.;
- the processes of democratization and renewal in socialist society at the current stage of its development, the implementation of policy based on the principles of the new thinking, the consequences of their perception in various sectors of the international labor movement and beyond its boundaries, the manifestation of solidarity of democratic and the broadest peace-loving powers with the policy of active defense of all-human values;
- the effect of the scientific-technical revolution and its consequences on the labor army and its structure; the dialectics of differentiation in its ranks, on one hand,

and the objectively increasing commonality of interests of various strata and detachments of the labor army on the other; the crisis of employment and problems of developing solidarity of various categories of persons engaged in mental and physical labor.

- the continued growth of internationalization of social life, the changes in the international division of labor, their effect on the position of the masses, and on their demands on the national, regional and international levels.

The serious challenges with which the world community is faced in the current crucial time were noted by M. S. Gorbachev in December of 1988 in his speech at the session of the U.N. General Assembly. He again noted this in his important speeches during his visit to the People's Republic of China in May of 1989. For their part, the leaders of the Socintern and many of the parties entering into it, as we know, have spoken out in favor of strengthening peace and ensuring international security, and also in favor of implementing measures to reduce arms and promote disarmament. An understanding of the fact that mankind finds itself at the crossroads unifies the currently different socio-political forces.

Obviously, we cannot deny that even today there are roots of deep-seated controversies retained in the world. From this it is clear that the formulation of a new, peaceful period in the development of human civilization will occur under conditions of rivalry and competition of different socio-political systems. It would be incorrect to ignore also the controversies which are manifested in world economic development in connection with the deepening of the chasm between the industrially developed and the majority of developing countries. The consequences of the crisis of development, like the ecological crisis, have become all-human problems.

Nevertheless, at the same time there is a growing conviction that the solution of many problems is possible only on the path to internationalization of the approach to them. It will be necessary to overcome many obstacles on the path of ensuring international economic security, of peaceful regulation of local and regional conflicts, and of building, step by step, a new international order. This is why the questions of development of solidarity of peoples and of giving international relations a more dynamic character are particularly important under current conditions.

The desire for mutual understanding means also the acknowledgement of unity in the multiplicity and importance of adhering to the principle of freedom of choice for each people. All this reflects the growing multivariance of social development of different countries, the variation in socio-political structures stemming from popular movements of various types. Admitting the dialectical interdependence between national needs of peoples and international interests of mankind is an important prerequisite for the survival of civilization,

for the development of international relations of a new type, based on peaceful and mutually beneficial cooperation.

We believe that in the last 100 years the world has changed to the point of being unrecognizable, both in the scientific-technical and economic planes, and in a socio-political respect. Serious shifts—quantitative and qualitative—have taken place in the world of labor itself. In the 20th century the influence of the workers' movement in societies of various types has grown significantly, as has its effect on world politics.

Ascribing great importance to the international aspects of the activity of labor organizations, we emanate from the principle that the social base of international solidarity is expanding. Obviously, in different regions and countries the solidarity of the progressive forces may take on different specific manifestations and forms. Thus, as applied to the direct interests of the workers of a number of industrial countries, the need to expand the international scope of the struggle against exploitation plays a great role in the conditions of the new socio-economic challenge, which is associated with the growth of internalization of capital.

Among the important directions of unified activity is the support of strata who are most greatly affected by the structural crisis phenomenon. Under conditions of developing integration processes in Western Europe, the importance of effective internationalist activity of labor organizations is increasing. Here, ever greater importance is being ascribed to mutually beneficial development of relations between both parts of Europe as well as between the countries of the continent and other regions of the world. One other sphere of activity are the efforts for the purpose of aiding in regulating local conflicts and wars in various points on the planet (El Salvador, Nicaragua, Afghanistan, etc.).

An important direction in the unified actions of progressive, peace-loving powers has become the struggle for relaxation of tensions in inter-state relations, for securing peace in the Near and Middle East, in South Africa, and in Latin America, and for real measures for strengthening international security.

At the same time, global solidarity is developing on questions which represent a vital interest for the entire world community: On problems of war and peace, the ecology, joint efforts at seeking and developing alternative energy sources, peaceful application of space, etc.

The expansion of solidarity is a necessary condition for the survival and continued progress of civilization. Developing this thought, M. S. Gorbachev once again emphasized in his speech at the meeting with the Chinese community and the representatives of scientific and creative circles in Peking on 17 May 1989 that "in the current mutually dependent world it is no longer possible to have nationally limited, isolated development. The survival of mankind and the progress of the civilization

which it has created may be only the fruit of joint creativity of all countries and peoples".

In conclusion, I would like to note certain aspects of the problems of internationalism which, along with others, deserve, we believe, serious attention in the course of scientific studies and discussions. Among them we may isolate, specifically, the following questions: What are the most important forms and prospective directions of unified actions of the workers, all the leftist, democratic forces, including also in connection with the expansion of restructuring processes in various countries, shifts in the international division of labor, etc.? What comprises the connection of the national and the international in the activity of forces fighting for social progress and for strengthening peace? How can we reconcile the respect for each people's freedom to choose their own path with the struggle for survival and development of all of civilization? How can we reconcile the struggle of the workers of various countries and continents—Europe, South Africa, Central and South America, the states of the Asian-Pacific Ocean basin, and the possibilities for democratic, peace-loving movements in these regions with the contributions of such movements to seeking means of solving global problems? What is the role of the human factor in the sphere of internationalization of cooperation, and specifically, what are the prospects for developing a dialogue between different socio-political movements in regard to the connection of individual needs and the expansion of openness with development of collective solidarity? Of what does the dialectic of continuity and innovation in the development of international solidarity consist—with consideration for past experience as well as current priorities—in the face of exacerbation of global problems, the increased need for effective international interaction of various labor organizations and all democratic, peace-loving forces?

In this connection, we would like to emphasize that rather useful forms of scientific cooperation may develop between research organizations of various orientation (including on an inter-disciplinary basis) on varied topics. This relates to the study of experience and historical lessons of the labor movement, its internationalist traditions (beginning with the first international celebrations of May-day and to the present day). This relates also to possible joint or parallel studies of current political, socio-economic and other problems. They may include, specifically, problems associated with consequences for workers engaged the changeover of the military industry to peacetime production, changes in the employment structure under conditions of the scientific-technical revolution, and growth of internationalization of production; with socio-ecological problematics, interrelations between organizations of the working class and new mass movements; with problems of democratization of societies, the mutual influence of processes of renewing socio-political structures in different countries and regions, etc.

## Footnotes

1. Marx, K. and Engels F. "Sochineniya" [Works].
2. Protokoll des Internationalen Arbeiter-Kongresses in Paris. Nurnberg, 1890.
3. For more details, cf., for example: Pirages, D. Global Technopolitics. The International Politics of Technology and Resources. Pacific Grove, 1989.
4. About this, specifically, cf. the book prepared by the USSR Academy of Sciences IMRD [Institute of the International Workers' Movement]: "Perestroyka i sovremennyy mir" [Perestroyka and the current world]. M., 1989.
5. Zhores Zh. Against War and Colonial Policy. M., 1961, p 194.
6. Gramsci A. Selected Works. Vol. III, Prison Notes. M., 1959, p 199, 236.
7. Lenin V. I. Collected Works, Vol 27, p 98.
8. Cf. publication of the USSR Academy of Sciences IMRD: "Internationalism and problems of unity of workers: History and current times". M., 1989; "World of Labor: Problems of Developing Solidarity". M., 1989.

## Communists, Social Democrats "Coming Together"

18070764 Moscow *RABOCHIY KLAS* I  
*SOVREMENNY MIR* in Russian No 4, Jul-Aug 89  
 pp 57-60

[Speech by Guiseppi Tamburrano, "History of the Workers' Movement and Problems of the Current Day", presented at the international seminar, "The World of Labor and the Fate of Mankind" held 23-25 May 1989 in Moscow]

[Text] One hundred years have passed since those July days in 1889 when the Second International was being born and when the decision first came to light that the coming of May—the month which was so sadly memorable for the bloody police violence against workers in Chicago—should be noted with a holiday commemorating labor and the struggle for the 8-hour work day.

Very much has changed since that time. It is enough to remember the October Revolution, the revolution in China and the liberation of the colonial peoples—events which curtailed the sphere of supremacy of the capitalist system of production. It would be interesting in this connection to analyze the significant changes which have taken place in the living conditions of the working class in the countries of the West.

In former times, the factory work day lasted 14 hours, and in rural areas—even longer, from sunrise to sunset. Women and children also worked like this. The labor conditions were ruinous. Accidents and so-called work-related illnesses mowed down the people, and the

average lifespan did not exceed 50 years of age. There was no social security in case of illness or disablement. The labor wage barely guaranteed a minimal existence, i.e., only the reproduction of the work force. The workers lived in inhuman conditions—in slums, in barracks, and in doss houses. No one was interested in the fate of those who had grown old.

The education of the workers was at best limited to a few grades of elementary school. Illiteracy and semi-illiteracy were common.

Workers did not have the right to work and could be fired at the whim of the owner, who was not limited by any trade union control. Those who found work considered themselves lucky: The "reserve army" of labor numbered millions and millions of people, all hoping for at least meager earnings.

Workers could not protest. The response to expression of protest were police nightsticks, bullets, jail sentences, and often even the gallows, as was the case in Chicago after those May days in 1886.

There were very few people who, having an education and a taxable income, could vote in elections.

Inspired by the mighty ideas of K. Marx, the socialist movement organized the workers, who rose up in the struggle for their liberation. Thanks to the social and political struggle, the workers travelled—step by step—the path of development from a faceless and oppressed "rabble" to a combative and conscious class, and won for themselves adequate living conditions in an economic, social, political and cultural plane.

Today in the capitalist world workers generally receive such a labor wage which provides for them a relatively increasing well-being. They have social security in case of unemployment, illness, or accident, as well as provision for old age. They receive an education. In many cases they own their own homes. They get vacations, own their own personal means of transport (automobile, motorcycle), and have savings in a bank or savings institution. Often they have considerable rights, and even power, at their place of production. All of them have the right to vote in elections, and often are even elected.

The "rabble" has turned into a class, a class—citizens who are equal in rights with all other citizens, and all this is thanks to the class struggle, the leftist parties, and the ideas of Karl Marx.

However, while the oppressed, poor, outcast workers struggled not only for improvement of their living conditions, but also primarily for the overthrow of capitalism and the establishment of a classless society, a society of free and equal men and women, today's workers, liberated from need and enjoying various forms of protection, are fighting only for the improvement of living conditions, for a higher labor wage, for a shorter work day, for better working conditions, for higher

pensions, for protection against inflation, for a fairer taxation system, and for a more well developed and effective social infrastructure. They no longer propose (with few exceptions) the overthrow of the existing society either by means of revolution or by means of democracy.

In former times, there was a prevailing deep conviction that only the overthrow of capitalism could ensure well-being, freedom, and equality of the workers, all men and women. Today this conviction has become a chapter in the history of the socialist movement.

Should we assume that the striving toward socialism was a transitional ideology, an intellectual reflection of economic need, which faded and died out when the needs were satisfied and no longer fueled this ideology? We cannot avoid the question: Why is the trade union struggle developing in such a lively manner, while the struggle for a society of free and equal people is undergoing a state of stagnation? Obviously, it is not because, as the propagandists of capitalism maintain, liberty, equality and fraternity—these ideals of the French revolution—have become a reality for all peoples. Wars, exploitation, fanaticism, poverty (old and new), privileges, backwardness, environmental pollution, dictatorships and violation of human rights still remain as evils which exist in our world.

Is the struggle for socialism undergoing a decline because, after attaining the ideas of Marx as a result of the great changes which were conditioned by the struggle of the working class which was inspired by these ideas, there are no new ideas to light the way for us? I do not think so. Marx taught us—and this is an intransigent lesson—that revolutionary ideas are the consciousness of the age. They reflect and make viable those forces which are the bearers of change, which act in the practical sphere. What are these forces today, these new bearers of change? Our fathers and we believed that the working class liberated from economic need will be capable of breaking its bonds—its own and those of all society. Perhaps we were wrong? Liberated from need, the working class has not become more revolutionary, but has turned away from revolution. Is it true what the apologists of capitalism say: That after the satisfaction of life's needs has been provided, the stimulus for change weakens and the working class becomes integrated into the system and fuels it, strengthens it with its trade union struggle, which in turn determines a higher labor wage and expansion of the market of consumer goods produced by capitalism?

The leftist forces no longer discuss great topics. In the West, as far as we can tell, these forces have already become an important component part of that world which they wanted to change. In the East they have found themselves under the burden of mistakes, need, bureaucracy, and problems of democratization of their "socialism".

For many decades, socialists, social democrats and communists were divided by the ideological polemics on questions of the relationship between socialism and democracy, by the "cold war", by Stalinism and anti-communism.

In our day, thanks to M. S. Gorbachev, the communist world is experiencing a great thaw, which will create favorable soil for economic development, facilitate the emergence of pluralistic activity and a flourishing of democracy, and return respect for the individual, for individual communities, for nations and peoples. We express our hopes for this, although we recognize the great difficulties of perestroika.

Today a rapprochement is taking place in the positions of socialists, social democrats and communists on world problems and international cooperation. Is it not this tendency toward dialogue and constructive contacts that the current scientific meeting indicates?

*Then G. Tamburrano acquainted those present with the content of the written text of the speech prepared for the international seminar, "The World of Labor and the Fate of Mankind" by the secretary of the Italian Socialist Party, Socintern Deputy Chairman Bettino Craxi.*

The topic of Bettino Craxi's speech is "The Emergence of the Italian Socialist Party". The first part of this speech is devoted specifically to questions of the history of the Italian socialist movement. [1]

In the second part, the author gives considerable attention to a number of current global problems. Peace and development, he stresses here, are mankind's two great hopes, and at the same time the two most acute problems facing people, governments and nations. There is no peace where people are dying of suffering, where there is no justice.

For a long time, notes B. Craxi, the vicious circle has existed: poverty and underdevelopment give rise to instability, which feeds the demand for armament, which in turn, as it is satisfied, creates the danger of new tensions in international relations. It is specifically this unnatural spiral of development of events that we must turn around and break, before it leads to even more serious destructive consequences.

The speech analyzes the interdependence between political and economic factors of the world situation, between the economies of various countries, and between the North and South. If we want the publicized economic upswing of the West to be crowned by strong and long-term results, this upswing must be directed toward achieving the goals of improving the financial health of states and toward a greater uniformity in the distribution of wealth in such a way that it is not enclosed by the boundaries of national states and that it reaches broad strata of the needy.

B. Craxi spoke highly of the conclusions of the well-known speeches of the Brandt Commission, where attention was given to the basic needs of the "third world" population. He illuminated from his side the participation of Italy in aid to the developing countries, as well as the position of the ISP in the question of aiding peoples in the cause of overcoming underdevelopment.

"Our hope," stressed the speech sent by B. Craxi to the seminar, "is peace for all and security for every one, continued progress placed in the service of the cause of justice and prudent equality of all people. And we will continue to fight selflessly for peace, disarmament, and the development of all peoples under conditions of their guaranteed independence, and against inequality on the scale of the entire planet".

#### Footnotes

1. Cf. Craxi B. The Birth of the Italian Socialist Party. Seminar "World of Labour and Mankind" (Moscow, May 23-25, 1989).

#### Chinese Working Class

18070764 Moscow *RABOCHIY KLASS I SOVREMENNYIY MIR* in Russian No 4, Jul-Aug 89 pp 60-65

[Speech by Chao Minyi, "The Place and Role of the Working Class in Building Socialism and Reform", presented at the international seminar, "The Working Class and the Fate of Mankind" held on 23-25 May 1989 in Moscow]

[Text] For almost a century now, from year to year the working class and the broad masses of workers in all countries have been demonstrating their power and solidarity, holding meetings and manifestations on the first day of May.

May is the time of renewal. It is symbolic that in 1989 the historic visit to China by the Soviet leader, Comrade M. S. Gorbachev, took place in May. It is my belief that this event and its results may be viewed as a new contribution to the development of international solidarity of the workers. In the course of the high-level meeting in Peking, Comrade Den Chao Pin said: "Let the winds blow away everything that has been, and let us look ahead". All of us in China experienced great joy at the news of full normalization of relations between our two great countries and parties. I am sure that all the Soviet people also experienced similar feelings.

It has been over 140 years since the time that K. Marx and F. Engels in their famous "Communist Party Manifesto" proclaimed the great slogan, "Proletariat of all countries, unite!". During these years, the international workers' movement, the international socialist movement, and the international communist movement have achieved great victories. The road to them, however, proved to be quite tortuous, and there were very many mistakes made. Extremely rich historical experience has been accumulated, and we must thoroughly, on the basis

of a realistic approach, study this experience for the purpose of further developing the international labor movement and strengthening the solidarity of peoples of all countries through various practical actions.

Today, in the days of the 100th anniversary of May-day, in almost all the socialist countries the wave of socialist revolutions is again rising, implemented on the basis of the success achieved in building the new society. Here in China, after 10 years of confusion of the "cultural revolution", beginning with the 3rd Plenum of the Chinese Communist Party Central Committee, 11th Convocation (1978), there has been a gradual development of comprehensive, systematic socialist reform of the economic, political and ideological systems, which also bore a revolutionary character. It has been 10 years since the beginning of the reform. We have achieved great successes, which are acknowledged by all. However, there were also some mistakes made, particularly at the current stage, and as a result of which our country has encountered rather great difficulties. At the same time, the Chinese working class and its political party—the Chinese Communist Party—are full of decisiveness in overcoming, and at the present time are indeed decisively overcoming the difficulties and errors which have arisen in the course of building socialism, ensuring the winning of new victories in reform and in this construction, and marking 1 May with specific deeds.

What is the role and place of the Chinese working class in socialist reforms? How can we develop this role? These are the questions about which I would like to speak.

#### I. POSITION AND CHARACTERISTIC TRAITS OF THE CHINESE WORKING CLASS AT THE INITIAL STAGE OF SOCIALISM.

1. *The relative share of workers and employees within the overall number of the country's population is gradually increasing, and in the future will comprise the majority.*

According to the data for 1987, the overall number of the active population in China comprises 512.82 million people. Of these, 313.11 million (61.1 percent) are engaged in agriculture, 113.57 million (22.1 percent) in industry, and 86.14 million (16.8 percent) in the sphere of trade and services. From this we can see that two-thirds of the working population is engaged in agriculture, and only one-third is engaged in non-agricultural activity.

Our country's working class is the owner of the means of production, and the primary source of its income is wages. The working class includes specifically workers, the absolute majority of the intellectuals, as well as the management apparatus. The make-up of the working class should also include workers who have completely broken their ties with farming and who live off of the labor wages they receive at enterprises created in rural areas. From peasants they have become workers. Those, however, who are still primarily engaged in agricultural labor, temporarily working at enterprises created in rural areas, i.e., are still in the process of transformation from

peasants to workers, cannot be counted among the working class. According to the data for 1986, the number of workers and employees employed at industrial enterprises comprised 127 million people. Adding the management apparatus and the intelligentsia to this, we obtain a total figure of 160 million people. If we consider both the workers and employees who over the last few years have begun working at enterprises created in rural areas (there are over 80 million such people), then, accordingly, we will obtain a figure of 240 million people, or 46 percent. In other words, this is around half of the country's entire active population. According to preliminary computations, by the year 2000 the number of workers and employees engaged at enterprises created in rural areas will reach 200 million people. In a few more years the workers and employees, together with their families, will comprise the majority of the population. This process means that the detachment of our country's working class is rapidly developing and growing. Thus, in answer to the question about the number of the Chinese working class, we cannot consider only the 160 million urban workers and employees. We must also take into consideration the large army of workers who at the present time are in the process of transition from the status of peasants to the status of workers. Only by combining the general and specific approaches can we correctly evaluate the relative share and prospects for development of the working class, which reflects one of the important characteristic peculiarities of the current state and development of the Chinese working class.

*2. There is both a generality and multiplicity of interests of the component parts of the working class.*

On the whole, the level of socialization of production in China, which is at the beginning stage of socialism, is rather low, and the goods economy is not yet well developed. For purposes of creating a highly developed goods economy, the course has been adopted in the country toward the co-existence of the institution of public ownership (as the basis) and many other elements of economic management activity. Along with the labor wage as the basic form of payment of labor, other forms of payment are also developing, and the planned goods economy is also developing on a broad scale. Under these conditions we cannot believe that the workers have only common interests. Within their midst there are also differences in interests, i.e., the multiplicity of interests is clearly apparent. The radical interests of the working class exist in harmony and unity with the varied specific interests of workers and employees, and lead to an organic merging of the interests within the working class. This comprises one more very important characteristic peculiarity of our country's working class at the current stage of development. It determines the content of activity of the political party of the working class—the Chinese Communist Party. By means of correct regulation and harmonization of relations within the working class, it ensures in full measure the manifestation and development of all of its advantages and its power in the

course of socialist reforms and construction, and realizes the strategic line of socialist construction.

We must admit the complexity and multi-tiered nature of the working class social structure. Based on the fact that the place and role of its various elements are not the same, within the working class we may isolate five major groups: 1) workers directly employed in production sectors; 2) workers employed in the service sectors; 3) scientific-technical workers at enterprises and engineering-technical personnel; 4) scientific-technical workers employed in the fields of education, science, culture, sports and public health; 5) the management apparatus in state and public organizations and in production.

The first four groups are related to those which are managed. We might say that their contradictions with the managers represent the main contradiction within the working class. The group of managers is part of the working class. At any stage of development of socialist society as a whole this group is needed and its existence is inevitable. In the future there will still be workers in production as well as workers engaged in the sphere of management. This is explained by the fact that, as before, the need is retained for a group of people with special training, a comparatively high level of education and technical skills who, while representing the working class and all workers, would engage in matters of managing the state and society. Evidently, only under communism will there not be a special group of people engaged in management. At the stage of socialism, however, this relatively independent social group has great influence in the sphere of decision making on matters which touch upon the life of society and state policy, as well as in the correct distribution and application of production funds which are under public ownership.

However, simple workers and intellectuals also have a high social significance. They are the owners of the means of production—all people's as well as collective. They are the masters of the state, society and the enterprises. Moreover, they are the producers of material and spiritual values, and the source of their existence is labor. In the process of material and spiritual production these people are managed. Their right to labor and their specific interests demand respect and protection. In distribution it is necessary to strictly adhere to the principle of distribution according to labor. Because of the differences in labor and social position between the managed and the managers, and in spite of the common nature of their radical interests, differences and contradictions arise in their specific interests and demands. The managers often become removed from the managed. From "servants of the people" they become "masters of the people" This danger cannot be entirely averted. At the present time in our country there is a certain number of cadre workers who use their power for self-centered purposes. They have become decayed, sunk into corruption, resort to repression toward the workers, and grossly violate their legal rights. The phenomenon of decay evokes decisive condemnation on the part of the workers and the broad strata of the intelligentsia. If this main

contradiction between the managed and the managers, between the leaders and the followers, is not correctly resolved, it may progress and become exacerbated, and may grow into confrontation. Therefore, a strong and effective factor in socialist construction and reform is the true recognition and regulation of the primary contradiction existing within the working class, and particularly the adoption of the decision to fully overcome the phenomenon of decay by means of strengthening the legislative order and stabilizing the economic and political situation in the country.

*3. The cultural level of workers and employees in our country is continuously increasing.*

In the 40 years of existence of the Chinese Communist Party, thanks to the considerable development of education, science and culture, the cultural-technical level of the working class has grown tangibly. At the present time, the absolute majority of our intellectuals is part of the working class. They have begun turning into propagandists and disseminators of scientific-technical knowledge. Among the intelligentsia there is a corresponding group of those who may be related to the group of scientific-technical specialists of the upper class. There is also a large group of mid-level specialists. True talents have emerged in the scientific-technical sphere, but they are still very few. If we speak on the whole about our workers and employees, their cultural-technical level is rather low. They belong primarily to lower level specialists. According to statistical data, in our country there are 40 million technicians. However, the level of professional training of most of them is quite low.

In the current world, the resurrection of the state and the development of the economy depend in large degree on the quality of the work force. Of course, it is determined not only by cultural-technical indicators. Even more important are the moral-political factors and their specific manifestation—the “spirit of struggle”, which primarily determines whether or not we will achieve success in economic competition. Therefore, in solving the problems of comprehensive improvement of the quality of the work force, it is necessary to increase the level of mastery of scientific-technical knowledge and moral-ideological development. Moreover, all this must be done together. Only in this way will the working class be able to become a leading productive force and the representative of leading production relations in accordance with the demands of the times, and will be able to increase all the more its role in socialist construction and reform.

## **II. THE PLACE AND ROLE OF THE CHINESE WORKING CLASS IN SOCIALIST CONSTRUCTION AND REFORM.**

*1. The Chinese working class is the subject and main force for construction of a socialist economy, for democratic political construction and moral-ideological development (or, in other cases, the construction of a spiritual civilization).*

Our party's 13th Congress defined the basic line as follows: It is necessary to place the development of productive forces and economic construction at the center of all our work. The Chinese working class speaks out as the main strike detachment for the construction of a socialized modernized economy and plays an avant-garde and directing role. This is explained by the fact that the working class is the representative of modern productive forces. It is joined with socialized large-scale production, and with the most current science and technology. Therefore the role of this class in the process of production development cannot simply be defined in terms of its numbers. Despite the fact that, as we have already said, at the present time workers do not comprise a majority of the population of the Chinese People's Republic, the cost of the products which they produce reaches 70 percent of the entire gross national product. In cities, which occupy a central place in the economic life of the country, the number of workers and employees comprises 60 percent of the population, and together with their family members—almost 90 percent. At the current stage of resolution of the main contradiction—between the constantly growing material and spiritual needs of the people on one hand and the remaining social productive forces on the other—obviously it is first of all necessary to strengthen the avant-garde role of the working class.

With the rapid development of a planned goods economy and construction of a modernized national economy, deep-seated changes are taking place in the political notions of the broad masses of workers and employees. With every passing day there is a stronger need for political participation of the masses in the life of society and in democratization. Therefore, the working class is not only the main force, the most important subject of economic construction. This class is also the basic force stimulating construction in the sphere of democracy and politics, the managing class of the state and of society. Yet at the current stage, its managing role still cannot be implemented directly by the entire working class as a whole. Such a role is realized primarily by its avant-garde—the Chinese Communist Party, the gathering of people's representatives of all levels. Thus, the working class manages the state in a mediated fashion. At the same time, the indicated form of management certainly does not mean that the party can push the working class itself aside from leadership. It must be closely associated with its class and rest on it. Only in this way is it possible in full measure to express its interests and aspirations, and to implement correct and effective leadership. At the same time, the masses of workers and employees, through their trade unions as the most massive and broad class organization, participate in the resolution of various questions.

In the course of reform, questions arise which require close attention. Thus, many workers and employees express the point of view that “the working class today occupies a secondary position”. They express their dissatisfaction with the activity of the meetings of workers



and employees, and with the work of the trade unions at the enterprises, believing that they "do not play any role, and act merely in a formal manner", and that "they are not the masters". If we do not give sufficient attention to the appeals of the broad masses of workers and employees demanding democracy, then this will become apparent in great degree in the activity, initiative and creativity of the working class, and will complicate the attainment of victory in the cause of socialist modernization and reform.

The construction of a modernized economy and a democratic political system is closely tied with socialist spiritual civilization. For the successful implementation of this construction it is necessary for the party to rest on the workers. Yet this is impossible if we do not raise the moral-ideological and cultural-technical level of the working class. Therefore, we must provide for the mutual stimulation of all the indicated directions for building the new society.

*2. The working class is the main motivating force in socialist reform.*

The reform of the system under conditions of socialism means a self-improvement and self-regulation of the socialist order. In its essence this is also a revolution. However, its task is not to overthrow the "fate" of the people, but to change the "fate" of the old system. By means of comprehensive reforms of the economic, political and cultural systems, we must change the model of socialism which was formed in the past under certain specific historical conditions. We must create and develop in full measure a viable new system of socialism.

The fate and prospects of this revolution will be determined ultimately by the degree of its support on the part of the working class. As a representative of the leading productive forces, it must sense most deeply that the old model inhibits the development of its activity and the increase in its productive forces. The 10-year practice of our reforms testifies to the fact that the broad masses of the working class participate actively in them. According to a survey, over 90 percent of the workers and employees favor the reforms, believing that they are an inevitable means of building socialism with Chinese specifics.

The broad masses of workers and employees see clearly that reforms have led to the situation where in 10 years the face of the country has changed for the better. The reforms have stimulated production, revitalized the economy, brought well-being to the people, and raised the living standard. Numerous facts confirm that in the period of reform and implementation of the open door policy the working class, as before, remains the most revolutionary and the leading class.

We must realistically see that part of the workers and employees are still vacillating, since these reforms concern the interests of every person. There are some workers and employees who do not have a clear understanding of the true character of the reforms. Some even

believe: "The more reforms we implement, the fewer differences we will have with capitalism". Some have a low opinion of price and wage reforms. There are also those who refute the reforms altogether. Many workers and employees have a suspicious attitude toward the development of individual farms and private enterprise activities, suspecting that part of the population is being given the opportunity to grow rich in priority order.

There are many reasons for the existence of such outdated views, but evidently there are three main ones: First of all, the workers and employees were not ready for such transformations. The specific measures implemented in the course of the reforms cannot be equally favorable for all. Workers and employees are practical people. They view each question in a practical plane. This leads to dissatisfaction, since not everyone can see the prospects for development. Secondly, in the course of the reforms the new acts together with the old, and such phenomena of the past as corruption, money-grubbing, and misuse of official position still persist. People cannot always define the reasons for phenomena, and this has a negative effect on their attitude toward reforms. Thirdly, a large number of peasants who have come to the enterprises created in rural areas have a low level of training. Naturally, they tend to absolutize the principles of levelling, which give them the opportunity to feel themselves equal with highly trained workers.

The achievement of a more adequate perception of the reforms by the working class and the solution of the above-mentioned problems demand from the party a first priority attention to the following questions: 1) In working out measures for implementing reforms, it is necessary to avoid mistakes and first of all to have an attentive attitude toward the interests and demands of the broad popular masses, and to listen constantly to their opinions; to utilize the achievements which have already been attained to disperse the doubts which arise among the people; 2) It is necessary to organize education of workers and employees, to acquaint them with the problems of building socialism with a Chinese specific, to clarify the character of the reforms and the complexities inevitably arising in the course of their realization. Only in this way will the Chinese working class be able to even more clearly recognize its responsibility for managing reforms and for promoting them.

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**Head of Society for Friendship With Foreign Countries Interviewed**

18070351 Moscow ARGUMENTY I FAKTY in  
Russian No 39, 30 Sep - 6 Oct 89 pp 6-7

[Interview with Valentina Vladimirovna Tereshkova by N. Popadin: "Earthly Matters"]

[Text] Valentina Vladimirovna Tereshkova.... Legends have been created around her, the first woman cosmonaut, and the commander of the spaceship Vostok-6. She



puts forward a stern, official face. She does not like journalists, being certain that almost no one has ever written practically anything about her that made sense and was not distorted.... And so, here is V. Tereshkova, known to all the world, and at the same time, unknown.

[Popadin] It has already been 26 years since your flight into space. What sort of years were these for you?

[Tereshkova] I can't give a simple answer because there were many joys and many disappointments in this time. After my space flight I graduated from the Academy imeni Zhukovskiy, and defended a dissertation. From 1968 to 1987 I was chairman of the Committee for Soviet Women. It was difficult in those years to raise problems associated with the compatibility of a woman with her numerous obligations, or to discuss heavy woman's work. But we were nonetheless able to attract the attention of the party Central Committee and government to the situation of women in the country, and permanent commissions on the problems of the labor and life of women and on protection of motherhood and childhood were created in the USSR Supreme Soviet and in the supreme soviets of the republics. The committee worked actively on articles 35 and 53 of the present USSR Constitution, and it posed and solved problems such as introducing paid leave for child care, creating a state alimony fund, and many others.

[Popadin] Your move to the Union of Soviet Societies of Friendship and Cultural Ties With Foreign Countries (SSOD) was a surprise to many.

[Tereshkova] I had long been a participant of the activities of the SSOD, for many years I was a member of the president's council of the "USSR-France" society, and I often met with active members of foreign friendship societies. To me, election to the position of chairman of the presidium of the SSOD—one of the oldest social organizations in our country—was a great honor and responsibility. The SSOD is a dynamically developing organization widely known throughout the world. But it seems to me that its possibilities are much greater than might seem today.

[Popadin] Why do you think that so little is known in our country about the work of the SSOD?

[Tereshkova] I can't agree with you completely. Many Soviet people participate in the work of friendship societies, and they are well aware of the SSOD's activities. Nonetheless I hope that after today's interview, more will learn about the SSOD.

Obviously the lack of awareness of our activities may also be blamed upon the leadership of the SSOD, which does not discuss it very much. And yet the movement for friendship and cooperation is a real manifestation of people's diplomacy, which, it seems to me, holds the future of international mutual relations. V. I. Lenin appealed for open people's diplomacy in his announcement of the Peace Decree to all countries.

Societies for solidarity with the Soviet Union that arose immediately after Great October in Great Britain, the USA, France, Germany and other countries were among the first sprouts of people's diplomacy.

The All-Union Society of Cultural Communication Abroad (VOKS)—the predecessor of the SSOD—made a great contribution to international recognition of the young Soviet Republic.

Were I to answer briefly the question as to what the SSOD is today, I would have to name the 86 Soviet friendship societies, the 14 republic societies, the Association for Ties With Soviet and Foreign Cities, the Association of Soviet Lawyers and the Association of Officials of Science and Culture. The SSOD is 60 palaces of Soviet science and culture, and Soviet cultural centers in different countries of the world. Through the SSOD, 400 Soviet citizens maintain direct ties with cities in foreign countries. Today, under the conditions of perestroika, the SSOD is seeking new forms of its activity, new ways of reinforcing trust and mutual understanding among nations.

[Popadin] Is it true that your arrival in the SSOD coincided with the beginning of significant reshuffling of personnel and dismissals? What was this, "another breakthrough in space"?

[Tereshkova] Strange. Where did you get such information? I have been lucky with work throughout all of my life, and with people as well. I deeply respect the high professionalism of my associates, their experience and knowledge. I value their point of view, even if it doesn't agree with mine. I feel that kind, friendly relations are an aid in successfully handling all tasks and difficulties. There are many problems in the SSOD, and no one is concealing them. The main thing today is to surmount the society's alienation from real participation in the affairs of the SSOD and in individual friendship societies.

From my point of view the causes here are that in the past, elective organs of the SSOD and of the friendship societies were often filled in a formal manner. It was basically a group of bureaucrats or a narrow circle of the management of the societies that acted in the name of the Soviet public in the country and abroad.

We must restructure the work in such a way that Union of Soviet Friendship Societies would become a unique sort of "motivator" of people's diplomacy, so that increasingly larger numbers of workers, rural laborers and young people would participate in this movement. It stands to reason that in practical terms it is very difficult to accomplish all of this. But I am certain that this is something that must be done. Letters from readers received after publication of the election platform of SSOD candidates for USSR people's deputies in ARGUMENTY I FAKTY are evidence of the validity of this course. I would like to extend my thanks for all of the constructive, including critical, letters. We analyzed

them attentively, we made the necessary conclusions from them, and we discussed them with our active members.

[Popadin] How does one desiring to do so become a member of a society of friendship with some particular country?

[Tereshkova] Many come to us with this question. The procedure is simple: Submit a written or oral application to the friendship society in which you are interested in, and the society's board will adopt the appropriate resolution at its meeting. We invite all to join. Incidentally, there had been no membership dues until recently. Now some of the societies have decided to introduce them.

[Popadin] Is the SSOD subsidized by the state?

[Tereshkova] Yes, to a significant degree. Incidentally, many of our partners abroad that have been deemed to be socially useful organizations also receive government allocations.

Our financial possibilities are significantly below the continually growing volume of international ties, which of course require money. We are trying to make increasingly wider use of exchanges of delegations and groups on an unpaid basis, because we understand that we cannot count today only on allocations from the state budget.

We ourselves have to gradually earn money in this situation as well. Presence of our own financial resources will help us widen the activities of the friendship societies and activate cultural and tourist exchange. It must be said that we are being helped by the Soviet Peace Fund, with which we conduct many major international meetings and carry out joint projects, for example such as creation of the Friendship Medical Center in the city of Spitak in Armenia.

[Popadin] The newspapers reported that foreign societies for friendship with the Soviet Union organized a collection of money for the victims of the earthquake in Armenia.

[Tereshkova] Yes, that is true, around 300,000 rubles of equivalent currency were deposited in a special account of the SSOD in the Foreign Economic Bank for construction of the Friendship Medical Center in Spitak. This center, construction of which is to begin in short order, was planned jointly with Finnish organizations, including with the Finland - Soviet Union society. Friends of the Soviet Union in all corners of the earth sent dozens of tons of medicines and medical equipment, children's clothing and tents for victims of the natural disasters in Armenia, Tajikistan and the Bashkir ASSR.

[Popadin] How many representatives of the Soviet public go abroad each year?

[Tereshkova] Each year the SSOD sends over 15,000 persons abroad, primarily on a tourist basis. Active

members of friendship societies are given a certain discount on their travel costs. Had we possessed additional assets, the number of persons traveling abroad could have been much greater. And we could have also received a larger number of friends in our country.

[Popadin] But what are the difficulties?

[Tereshkova] There's transportation, and hotels. Because the SSOD does not have its own hotel base, and space in hotels is lacking, sometimes we even have to turn down requests to receive and guide groups and delegations. We are trying to somehow solve the problem by means of new forms of receiving guests—for example by exchanging families and by placing guests with the families of active members of our friendship societies. But this does not relieve the problem's acuity. I hope that construction of a hotel for social organizations will help solve it. We do of course need our own hotel.

[Popadin] And how specifically have you been able to help the people as a deputy?

[Tereshkova] I am certain that no abstract promises will substitute for concrete assistance, be it in acquiring an apartment, finding a place for a child in a nursery, or resolving retirement issues. I always measure my promises against real life and the possibilities for keeping them. I served for many years as a deputy from the city of Yaroslavl. I am happy that new hospitals, palaces of culture, schools, stores and housing were built in Yaroslavl and in the oblast, and that the Krasnyy Perekop Textile Combine, at which I myself had been a worker and served as the secretary of the Komsomol committee, was reequipped. I have now been given the honor of serving as the USSR people's deputy from the SSOD. Representing the interests of this large social organization in the highest organ of government, I feel it my duty to continue to defend the interests of women, I hold office hours, and I receive thousands of letters.

[Popadin] If it is no secret, could you please tell us who pays your wages?

[Tereshkova] The Cosmonaut Training Center, since after all, I am an air force colonel. I try to make whatever contribution I can to the center's activities, and I maintain good, friendly relations with colleagues serving as cosmonauts.

I must say that the army has given me a lot in my lifetime. I cannot agree with the attacks on our army, which was born in the revolution and which is called upon to defend the peaceful life of Soviet people. I am certain that military service is within the province of courageous people who are strong of spirit. It is the duty of both society and each of us individually to respect our army, and to show concern for it.

[Popadin] Let's talk about cosmonautics, if you have no objection. Do you agree with the opinion that allocations for space must be reduced?

[Tereshkova] It would probably be wrong to suppose that if we were to allocate the freed money for other purposes, we would all begin living in paradise. Miracles do not happen. I am deeply certain that peaceful development of space is the will of the times. Each of us enjoys the fruits of space exploration every day. Television and radio broadcasting, telephone and telegraph communication, discovery of new mineral deposits, mapping of the earth's surface, weather forecasting and many other areas of the work of cosmonautics have become commonplace for us. Moreover, not everything yields to calculation. For example, what price tag can we place on the lives saved owing to the existence of the space search and rescue service? K. E. Tsiolkovskiy was probably right when he said that development of space will bring people "mountains of bread and inexhaustible power."

[Popadin] Valentina Vladimirovna, how are you able to reconcile your hard daily work with domestic concerns? As far as I know, you work late into the evening.

[Tereshkova] As with every working woman, time is something I unfortunately lack. When my mother was alive, she helped. Now, there is my daughter. We share responsibilities. I do not have a domestic servant. I live like everyone else.

It is very difficult for me to talk about my mother in times past. I am a fortunate person, because my mother was always with me; she shared all of my sadness, difficulties and joys. We raised my daughter together. To our enormous grief, my mother died. But the memory of her and her heroic life will always remain with me and my daughter. When she was 26 years old, my mother was left a soldier's widow with three young children. She worked in a kolkhoz, and then at the textile combine in Yaroslavl. She was awarded an order for her work in the rear. And throughout all of her life she waited for her father—she would not believe that her father had died. It was only after her death that I was provided assistance in finding the fraternal grave of her father, who died in the Finnish war in Karelia. And during my vacation I will surely travel there with my daughter.

**Radio Liberty Said to Advocate 'Pan-Turkism'**

18070366 Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 14 Sep 89 p 3

[Article by Candidate of Historical Sciences B. Suzhikov:  
"Virtually Relicts of the Cold War: Foreign Subversive  
Centers Continue to Speculate on the 'Nationalities  
Issue'"]

[Text] Glasnost has freed social consciousness from the  
tenets of uniform thinking and unanimity, but it has also  
placed minds trained to maintain a catechistic, black-  
and-white vision of the world in a difficult dead end as  
they attempt to assimilate new knowledge that is often  
shocking in its revelations.

Such confusion can be discerned most of all in conclu-  
sions on the nationality issue and in the debates that  
have evolved on the pages of the press, in social gather-  
ings and in day-to-day discussions.

Cultivated over the decades, the postulate of unification  
of Soviet ethnic diversity in response to the outwardly  
attractive appeals of "flourishing, coming together and  
merging" developed a stable stereotype suggesting that  
the nationalities issue has been conclusively resolved.  
But recent history has shown that a forced leap in the  
direction of leveling of nations and culture-simplifying  
dissolution of languages are contrary to the interests of  
socialism, and that more likely the reverse is true. A  
return to Lenin's principles of social engineering  
requires, first of all, interpretation of phenomena in their  
dialectical—that is, contradictory—development with  
regard for every aspect of real activity, including our own  
mistakes and miscalculations.

Dead-end interpretations of our problems arise, culprits  
are sought and various sorts of labels are attached on the  
soil of this misunderstanding.

On the other hand speculation on the international merit  
of the Soviet people is professed to be the bastard child  
of perestroika, and a longing for strong-arm rule is  
expressed. An even sadder fact is that the nationalistic  
craze of rally-charged demagogues is creating confusion  
in professional ideologists who, as E. A. Shevardnadze  
noted in his speech in Tbilisi, are unjustifiably com-  
pelled "to turn to the assistance of troops and to speak  
with the people from tanks and armored personnel  
carriers" as a last resort in extraordinary situations.

In the meantime discussions concerning imposition of  
nationalism over socialism are hardly anything new, or  
all the more so a manifestation of unstilted thinking:  
Instead, they are one of the main objects of the ideologi-  
cal debate with Marxism, possessing a long historio-  
graphic tradition.

It has been more than just a single decade that skirmishes  
in philosophical positions with so-called Kazakh bour-  
geois nationalism have been going on. Moreover the  
forms of this struggle have varied from Stalin's "if  
there's a man, there's a problem, if there's no man,

there's no problem" to the exhaustive wars of the ink-  
well, in which unflattering epitaphs such as "trouble-  
maker and psychopath" and "turncoat and criminal"  
were sometimes attached to an opponent.

Alternative conclusions were given a primitive interpre-  
tation, and generations of debaters superseded them-  
selves, but the problem remained.

A group of Kazakhs in Western exile, the politically  
active segment of which clusters about Radio Liberty,  
has continued to exist for more than just a decade among  
the multitude of faces and voices of modern emigrant  
circles associated one way or another with our father-  
land.

The history of the creation of Radio Liberty by Kazakh  
reaction is just as odious as the biography of some of its  
associates, who trace their genealogy from the Alash  
Party through the Turkestan legion of the Wehrmacht  
and finally through the postwar Turkestan national com-  
mittee of Radio Liberty.

A similar continuity can also be discerned in the ideo-  
logical orientation of publishers printing news in  
Kazakh. The founding nucleus of this is the obsessive  
idea of a "Great" Turkestan—a utopian proposition  
once proclaimed as a motto of anti-colonial struggle,  
then transformed on a class basis into the program  
documents of the bourgeois party, and which later died  
out as being politically unfounded in the embrace of its  
own imitators, who found no support among the people  
but who continued to cherish the obsessive idea.

Eloquent evidence of the fact that the Kazakh edition of  
Radio Liberty specializes in reanimation of pan-  
Turkism and pan-Islamism is the pro-nationalistic ser-  
mons of Khasag Oraltay [transliteration], known in the  
West for his most extreme anti-Russian and anti-  
Chinese speeches. His theoretical plans concerning the  
role and place of the Kazakh nation are simple and  
unambiguous. A certain "Turkic Race" is at the center of  
the world, and Kazakhs associating themselves with it  
extract power from their "ancestral motherland—  
Turkey," even though Oraltay himself is forced to admit  
that "Turks confuse Kazakhs with Russian Kazakhs, and  
they do not like this word." Nonetheless the principle of  
"Turkic racial purity" (by substituting the word  
"Turkic" by the adjective "Aryan," the reader can easily  
discover Oraltay's roots and the source of his plagiarism) is  
the basis for the existence of a certain state formation of  
Kazakhs subordinated to Ankara and acting as an out-  
post in the struggle with the USSR and China.

If we can characterize Oraltay's ideas as a twilight state  
of consciousness which had been unable to claim its  
rights of inheritance of the aristocratic order due to the  
revolution, materials offered by another leader of Radio  
Liberty's publishing office, Makhmet Kulmagambetov  
[transliteration], are modernized to a greater extent, and  
in touch with the realities of anti-Sovietism.

His commentaries on current events in the life of the republic, be they concerned with the struggle for glasnost or the language problem, historical dates or irregular publications of the republic press, are saturated with terminology and fabricated facts gleaned both from academic publications on the life of Kazakhstan exiles and from Central Asian studies on one hand, and on the other hand from purely propagandistic official outlets which, for example, raise the number of participants in the December events in Alma-Ata to several hundred thousand, and charge that during the Soviet era supposedly "over one billion Kazakh Turks perished due to the purges or were exiled."

Without going into the details, this author may be qualified as a representative of a neoconservative school of bourgeois Sovietology preaching extreme enmity toward the Soviet Union and supplying political baggage for persons predisposed to extremism and hostility.

The problem of critical analysis of bourgeois Sovietology, which tailors its statements to the needs of the region of Central Asia and Kazakhstan, is a topic of long and special discussion.

Because the interests of all mankind must reign supreme in relation to the occurring events, and because openness and tolerance have been declared to be the key to discussing vitally important problems, reinterpreting both the methodological and the theoretical approaches in the debate in defense of the values being preached is an important task today. The resources and methods of debate with the ideological adversary are determined today not by brazen defamation but by profound structural analysis of the conceptual schemes and models of the foes of Marxism, not by selective citing of references but by exhaustive provision of information, not by "exposure of falsifications" but by the capability for "separating the chaff from the wheat," going as far as admitting constructive criticism.

The brief description offered here of the propaganda activities of the Kazakh edition of Radio Liberty and of its clearly pronounced anti-Soviet disposition has the purpose of raising doubt as to the status of this organization from the standpoint of the international law on humanitarian cooperation.

The inevitable question today concerns the correspondence of the content of the transmissions of the Kazakh edition of Radio Liberty to two key requirements imposed on those who signed the document of the Vienna meeting: 1. "All nations always have the right to determine, under the conditions of complete freedom, and whenever and however they so desire, their domestic and foreign political status, in the absence of interference from without" (Principles, Point 4), and 2. "Prevent, on their territory, illegal activity by persons, groups or organizations inciting or participating in subversive or other activity directed at the violent overthrow of the regime of another participating state (Principles, Point 10.3).

Apparently the Council of International Radio Broadcasting and the combined leadership of Radio Liberty and Radio Free Europe, which sponsor the Kazakh edition and which are responsible for the money of American taxpayers spent in these organizations, ignore the jurisdiction of this document, and only pay lip service to the rule that information is put on the air only after it is confirmed by two other major international agencies. There could be no other explanation for the verbose exhortations of that same Kulmagambertov "on the Soviet government's use of its citizens as slaves" or "on the absence of a Kazakh's right to state his opinion on any problems," or the malevolent prophesies of Kh. Oraltay, who suggests that "Turks will rise when they lose their patience."

Such statements by the Kazakh edition of Radio Liberty are also simply anti-humanitarian because its commentators are trying to tear our compatriots abroad away from their ancestral roots, and to develop, by way of inciting enmity and fear, the false impression that the Kazakh motherland would not accept back its sons and daughters who have found themselves on foreign soil by the whims of destiny. Erasure of memory and Mankrutism [transliteration] under the guise of a struggle against communism could hardly be understood by people striving in our days to seek their roots and to come closer to their fatherland.

The history of radio stations oriented on the USSR already has a precedent in BBC Russian service commentator N. Stavitskiy, who was dismissed for comparing the British prime minister with the manager of a local soccer club in the sense that both were "dictators and chauvinists." Why then is chauvinism taking the form of pan-Turkism and the Russophobia of associates of the Kazakh edition of Radio Liberty still beyond the criticism of Western propaganda specialists?

N. Karpat, one of the prominent American Sovietologists who has soberly assessed the situation in Central Asia and Kazakhstan, noted: "I truly believe the policy of pan-Turkism to be a wild fantasy, and completely harmful to national interests." Mrs. M. Thatcher also spoke out in relation to the contemporary ethnic processes occurring in the USSR: "It would be sad if expansion of freedom led only to greater nationalism."

Naturally it would be naive to impose one's own course on Western information and propaganda organs in a moralizing spirit. Moreover modern Soviet social sciences also recognize the fact that the times of ideological sterility and comfort have been cast into oblivion forever. The priority of universal human values is the fundamental principle of ideological competition between socialism and capitalism. But this is precisely why the Kazakh edition of Radio Liberty appears today as a relict of the cold war, one whose activity is totally inconsistent with the new world order of information.

### Legal Aspects of CEMA-EEC Relations Analyzed

18250195 Moscow KHOZYAYSTVO I PRAVO in  
Russian No 5, May 89 pp 127-133

[Article by Yu. Yumashev, candidate in juridical sciences: "CEMA—EEC: Legal Aspects of Interrelations"]

[Text] The trade-economic relations between the EEC participant states and the CEMA member states are an important element in "East-West" relations. Therefore, they bear a clearly expressed political coloration. This illustrates most graphically the difficult process of establishing cooperation between these groupings on a contractual basis.

The initiative in this question belonged to CEMA and dates back to the summer of 1973. The EEC had a unique reaction to this initiative. It tried to define the possibility of implementing a unified trade policy in relation to the CEMA states, and with this purpose forwarded to each of them a model project for a long-term trade agreement at the end of 1974. This project contained a stipulation regarding mutual granting of most favored status, established a regimen for gradually rescinding quantitative limitations, regulated the import of agricultural products into the EEC countries in accordance with the principles of a unified agricultural policy, and provided for the creation of a joint commission to control the proper implementation of the agreement. This model project, developed in the spirit of agreements on freedom of trade, was intended to serve as a prototype for future relations of the EEC with the socialist countries, since the absolute majority of bilateral trade agreements of the EEC member states with the CEMA countries was expiring in 1975, and the unified trade policy would automatically go into effect with a 4-year delay. This proposal in turn remained unanswered. However, contacts between the representatives of both organizations continued. During 1976-1979 the parties exchanged outlines agreeing on the basics of mutual relations.

The purpose of the outline of the CEMA "framework agreement" was to create a common basis for expanding and strengthening the trade-economic ties between the member states of both organizations by means of establishing official ties with the EEC.

The "framework approach" also predetermined the participants in the agreement, where along with the Council and the Economic Community as organizations, the individual member states were also named as participants. For this same reason, the sphere of influence of the agreement was broadly defined—ranging from questions of improving the conditions of trade-economic cooperation to environmental protection and statistics. Moreover, the parties were given the opportunity of defining other spheres of relation upon mutual agreement. The forms of cooperation were just as broadly interpreted in the project. They ranged from joint study and development of problems which were of mutual interest and exchange of information on the activity of

both organizations to the systematic contacts of representatives and associates of CEMA and the EEC.

According to the project outline, trade-economic cooperation must be implemented on the basis of applying the principle of most favored status and nondiscrimination, while the member states reserved the right to enter into contacts with the CEMA and EEC organs in order to resolve "individual specific questions on the basis of the principles of the current agreement".

The EEC, on the other hand, approached the draft of the agreement from a formally juridical position. The sphere of application of the agreement was limited, in essence, to economic prediction, while the forms of cooperation were limited exclusively to an exchange of information and contacts between the CEMA and EEC representatives.

The regulation of relations in the most important sphere—the trade-economic—was interpreted just as narrowly in the EEC project. The basis of this regulation was comprised of the principle of concluding bilateral trade agreements between the EEC as an organization and each of the CEMA member states.

The project did not mention questions of economic and scientific-technical cooperation as not relating to the competence of the EEC. There was no stipulation of preference for the developing CEMA states. Moreover, the EEC tried in a unilateral order to extend the effect of this agreement to West Berlin, which had fallen under the jurisdiction of the Rome Agreement on the EEC, counter to the quadrilateral agreement on West Berlin.

Both projects became the subject of discussion at the meeting of the editorial group of CEMA and EEC experts. However, they were able to correlate only the problems relating to cooperation in the sphere of economic prediction, standardization, environmental protection, and statistics.

The experts who conducted the talks in the name of the EEC insisted that the principle of most favored status cannot be used as a general principle, since the conditions for its implementation are subject to agreement with each CEMA state individually. Instead, they proposed the introduction of the so-called principle of effective reciprocity. Here they referred to the formulation of the section on cooperation in the sphere of economics, science, technology and environmental protection contained in the EEC Concluding Document on security and cooperation in Europe, which states the following: "...cooperation with consideration for differences in the levels of economic development may be developed on the basis of equality and free satisfaction of the partners and reciprocity, allowing on the whole for the fair distribution of benefits and responsibilities of a comparable volume, while maintaining bilateral and multilateral agreements...".

The principle of effective reciprocity in the foreign economic sphere is viewed as an alternative to the

principle of most favored nation, since the possibility of unconditional and uncompensated application of the latter in relations between states with different socio-economic systems is generally placed in doubt by the Western countries. They believe that the classic principle of most favored status makes sense as a trade-political means directed at customs-tariff disarmament only in relations between countries with a market economy. In the socialist countries, in their opinion, customs tariffs play a secondary role, while the regulation of foreign economic exchanges occurs with the aid of other means characteristic for the socialist economic system. They view the socialist countries as countries with a state, or centralized, system of trade, whose main elements are: Monopoly of foreign trade, planning, state financing of foreign trade deals, and participation of state enterprises in the implementation of foreign trade. Yet such a system of foreign trade regulation is, from their point of view, primarily protectionist. Therefore they believe that granting conditions of most favored status in trade between capitalist and socialist countries must be determined by demanding unilateral concessions on the part of the latter.

As demonstrated by the experience of the acceptance of the countries of the socialist alliance into GATT (General Agreement on Tariffs and Trade)—Poland (1967), Rumania (1971) and Hungary (1973), the application of the principle of effective reciprocity toward them signifies in fact a transition from unconditional granting of most favored status to conditional, i.e., to the stipulated fulfillment of preliminary requirements, which consist of the promise to systematically expand imports from the GATT member countries or to grant them concessions of a trade-political nature.

It is true that Hungary was able to achieve unconditional most favored status thanks largely to the fact that its customs tariff at that time was recognized as an effective instrument of trade policy. Thus, its concessions were limited merely to the introduction of a specific procedure in the application of anti-dumping and compensatory duties.

Thus, in terms of accepting the socialist states into GATT, the position of the EEC at the negotiations with CEMA coincided on this question with the position of the countries having a market economy. And the "effective reciprocity" was (and still is) interpreted as a synonym for conditional most favored status.

However, at the present time there is no basis for economic discrimination. Due to the rapid spread of non-tariff limitations since the mid-70's, world trade on the whole has taken on a clearly expressed regulated character. According to the data of UNCTAD (United Nations Conference on Trade and Development), in countries with a market economy up to 50 percent of the foreign trade exchanges is subject to various types of import control. The EEC stands out in particular, where fixed prices prevail as a means of protectionism, as do subsidies, which are allowed by the Rome Agreement

and are constantly practiced by the USA. In Japan, administrative practice in fact bears a protectionist character. The portion of trade controlled by the state is even higher in the developing countries—70 percent. Many of them have a state system of trade.

Moreover, as comparative-legal studies have shown, there are no serious legal obstacles to the development and intensification of trade-economic ties between states with different economic and social systems. And it is no accident that the Rome Agreement on the EEC (Article 90) and GATT (Article XVII) provides for the participation of state enterprises in world trade under the conditions that they act on a commercial basis and in accordance with the principles of nondiscrimination.

In the interrelations between the East and West there is a clearly evident imbalance in favor of the capitalist countries. This concerns the conditions of trade and its effect on their economy. Thus, imports from the socialist countries comprise an insignificant portion of the overall volume of imports by the EEC (5-7 percent). On the other hand, the portion of goods imported from the EEC in the total import by countries of the socialist alliance from third countries is great (up to 30 percent). Therefore, it is unlikely that the state system of trade serves as an obstacle to exports by the EEC to the socialist countries. However, the demands for unilateral concessions may lead to an even greater imbalance in the mutual trade exchanges. Moreover, "effective reciprocity", as it is understood by the EEC, does not allow us to achieve "on the whole a fair distribution of benefits and responsibilities of comparable volume". Thus, such an interpretation of "effective reciprocity" is dictated not by economic and not by juridical considerations, but by political ones, and is directed toward discrimination against the socialist countries.

At the present time, effective reciprocity is becoming ever more widespread in connection with the development of protectionism in world trade. This has been reflected in the activity of GATT. In September of 1986, the second round of multilateral trade negotiations opened in Punta del Este between the participants in the General Accord at the minister level. Primary attention during the talks was given to strengthening the legal base and mechanism of action of GATT. This was prompted by the frequent violations of GATT standards by the participants, which entailed a departure from the basic principles of GATT, and primarily a departure from the principle of most favored status. As a result of this, there has been a weakening of the organizational-legal foundation of world trade as a whole.

What we have said allows us to conclude that the basis for effective reciprocity must be the demand for establishing fair and discrimination-free trade-economic ties between countries regardless of their social order and with consideration for their specific interests and peculiarities of their economic systems. Particularly since practically all the CEMA member states are currently

undergoing reforms aimed at strengthening the economic methods of managing the national economy.

The position of the EEC at the talks with CEMA reflects the general line of the Economic Community in international economic relations. The Economic Community believes that the CEMA organs do not have the competence to enter into the foreign sphere in the name of the member states. This "asymmetry of competencies" is used by the Economic Community also as a formal reason for maintaining that the EEC is the sole independent participant in any agreements with CEMA in the name of the "dozen".

At the same time it insists on the implementation of direct bilateral ties with the CEMA member states, and not within the framework of agreements between organizations, as was proposed in the CEMA project, also motivating this by a shortage of competencies of the Council in the trade-political sphere.

In bilateral agreements with third countries, the above-mentioned general line of the EEC is manifested by the refusal to conclude "mixed agreements", i.e., in conjunction with the member states.

We cannot exclude the possibility that it is specifically the goal of weakening the socialist alliance by means of disuniting the CEMA member states and counterposing them against each other, as well as the unwillingness to facilitate a strengthening of CEMA's authority as an international organization that are the reasons for the Economic Community's desire to establish contractual ties only with each CEMA member state individually. And the appeal to insufficient foreign competency of CEMA is merely a juridical smokescreen. After all, such obstacles may be overcome in the presence of goodwill.

What we have said allows us to conclude that the position of the EEC in negotiations with CEMA should be viewed in the context of the main line held by the Economic Community in relation to the socialist countries and in international economic relations.

Up until the present time there has not been a more or less ordered coordination of actions between the CEMA participant states in establishing trade-economic ties with the EEC and its member states, although the Comprehensive Program provides for the coordination of their foreign economic policy "in the interests of normalization of international trade-economic relations, and primarily for eliminating discrimination in this sphere".

The absence of a unified approach by the CEMA member states in regard to the "Common Market" is one of the main reasons for the rigid position, which has as its goal the affirmation of the supranational nature of the EEC in international law and the implementation of a

differentiated foreign economic policy in regard to the socialist countries, tying them to itself in an economic sense.

A confirmation of this fact to a significant degree may be the new round of talks between the EEC and CEMA which began in 1985. On 25 June 1988 a Declaration was signed. The parties agree to establish not only official relations with consideration for their respective competencies, but also to develop cooperation in spheres relating to their respective competencies and representing their common interest. The spheres, forms and methods of cooperation will be determined by the parties by means of contacts, meetings, and talks between their representatives. The Declaration thus will not hinder the EEC in conducting independent talks and in concluding bilateral agreements with the CEMA member states. As a result of its signing the parties will have to exchange representatives. The CEMA member states will be accredited with the EEC. This mission may be implemented also by their diplomatic representatives in Belgium. Accordingly, the EEC will have to open its official representation with CEMA. It may be realized either through the embassy of a member state presiding at the EEC Council, or by means of sending a specific permanent EEC delegation to Moscow.

The mutual international-legal recognition and exchange of representations which stems from this act may facilitate mutual understanding and rapprochement of the positions of CEMA and the EEC in questions of trade-economic cooperation, in increasing the international authority of CEMA and in expanding its foreign economic ties. At the conferences of Central Committee secretaries of the fraternal parties of the CEMA member states it was repeatedly noted that establishing official relations between CEMA and the EEC, and between their member states, will facilitate the strengthening of political and economic relations, the strengthening of material relaxation, mutual trust in Europe and the revitalization of the international situation as a whole.

However, this measure will effectively serve the interests of the socialist alliance only if it stimulates the process of integration of the participant countries and the expansion of foreign economic functions of CEMA as an organization and the change in its competency.

Otherwise, as our analysis of the history of CEMA-EEC relations shows, any agreement with the Economic Community may turn out to be a fiction, since it will give the EEC the opportunity to establish bilateral trade-economic ties with its member states without any obstacles, and perhaps even to the detriment of CEMA interests. And this, voluntarily or not, may turn mutual recognition into an instrument of the "Common Market's" policy.

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**Deputy Trade Minister on Trade with CEMA Countries***18250194 Moscow SOVETSKAYA TORGOVLYA in Russian No 8, Aug 89 pp 16-20*

[Article by S. Sarukhanov, USSR deputy minister of trade: "Trade—An Important Link in Commercial Operations"]

[Text] In the process of reorganizing foreign economic ties, enterprises, organizations and departments have been given broad possibilities for active participation in international commercial activity. Under these conditions, trade operations in the most varied forms take on important significance, including cost-balanced barter, mutually conditional deals and buybacks, direct ties, deals on a consignment and customer-supplied basis, and many others. The combination of various types of commodity exchange allows enterprises and trade organizations to effectively react to a rapid change in the conditions on international markets and to more profitably sell their products.

Barter does not require currency. Rather, the form of accounting is selected by the partners themselves. This may be accounting in transfer rubles, non-currency exchange of a mixed assortment of goods in their natural expression, etc.

Through our deliveries abroad of goods which we have in abundance, as well as various surpluses, non-liquids and above-norm reserves, which are far from conditions of hard currency export, the foreign partners obtain goods which are in high public demand. Barter operations thus solve problems in expanding assortment, accelerating the turnover of goods and satisfying the demand for goods which are in short supply. The criterion for expediency of concluding the deals is the resulting profit or budget effectiveness of the exchange.

Moreover, the intensity of the exchange may be stronger to the degree that the structures of production in the different countries do not coincide, including lack of correspondence within commodity groups. It is then that barter significantly expands the assortment of goods on the domestic market and smoothes out the tension in commodity resources without bringing it to intensification, as may occur in the case of standard export of goods. This circumstance plays a significant role in the interaction between the domestic markets of the socialist countries, which are not yet sufficiently stocked with commodity resources. Here we must also consider one other advantage of barter deals, and specifically the fact that they are conducted without the use of currency. This is particularly important when the partners cannot convert the obtained national monetary means into another currency or perform accounting in freely convertible currency, which is characteristic of the trade relations between the CEMA member states.

Based on this, barter operations may be taken as the basis for developing wholesale trade in consumer goods

with the countries of the socialist alliance. At the initial stage, the tasks of formulating wholesale trade are reduced to attracting the broadest possible assortment of goods produced by national industry. For this purpose, it is necessary to organize various fairs and exhibits, to study the market conditions, to apply flexible forms of accounting, to determine possible quotas for barter operations, etc.

The overall volume of barter operations with the foreign countries along the line of enterprises and organizations in domestic trade comprised 570 million rubles in 1988 and increased by 40.7 percent as compared with the previous year. Here, a high (up to 30%) level of commercial profitability is ensured, which makes it possible to build these ties on the principles of self recovery.

Such a notable growth has become possible thanks to the accelerated work of the USSR Ministry of Trade, the trade ministries of the union republics, trade enterprises and organizations, as well as the measures of an economic, legal and organizational character which have been adopted in this sphere.

In 1979 the USSR Ministry of Trade was given the right of direct entry into the foreign market for the purpose of conducting barter operations. This was done through the "Soyuzpromimportorg" association, bypassing the numerous narrowly specialized associations of the Minvneshtorg [Ministry of Foreign Trade] system, which were not interested in concluding barter agreements.

Activities were intensified on seeking out commodity resources within the country and on promoting various Soviet goods for barter operations on the foreign market. There have been changes in the sphere of trade planning, and specifically the allocation of market funds for these purposes at the centralized as well as at the republic level. Based on an in-depth study of the needs of the foreign partners, the assortment of goods offered has been significantly expanded, particularly through the active involvement of locally produced goods from the commodity resources of the union republic trade ministries, as well as wholesale and retail enterprises and organizations. There has been a reorganization of all the informational work on the availability of goods which may be directed as barter goods, as well as on the prices and demands for reciprocal purchases.

The resources of all the union republic trade ministries have been involved in the barter operations, as well as the resources of the trade administrations of 10 USSR border oblasts and over 380 department stores and other enterprises. Barter operations along the line of the USSR Ministry of Trade encompass practically the entire assortment of consumer goods, individual types of commercial equipment, and various industrial by-products.

In order to give the cooperation a more stable and long-term character, annual protocols are signed with foreign organizations and companies. These comprise

the basis for the barter operations and take into consideration the interests of the parties and the various conditions for barter and accounting, as well as the prospects for development. With the CEMA member states they specify the volumes of cooperation for the five-year period. In the course of coordinating the plans for 1991-1995, the USSR Ministry of Trade intends to bring barter operations up to a volume of 4.8-5.0 billion rubles in all forms of exchange. This exceeds by 1.8 times the level anticipated for the current five-year period.

For cooperation with the socialist countries, the most characteristic is barter in various commodity groups. Due to the differences in the commodity structure of production and traditional demand in the USSR and other socialist countries, the Soviet side presents for exchange a significant portion of goods of cultural-domestic and household application, including household electrical appliances, radios and televisions, watches, photographic and movie equipment, dishes and household items, as well as fabrics and a certain amount of food products. In exchange, our country receives a broad assortment of such traditionally high demand goods as footwear, sewn and tricot goods, furniture, electrical lighting equipment, perfumes, cosmetic goods and detergents, assorted haberdashery goods, paint and lacquer goods, household products, canned meats and vegetables, poultry, confectionery goods, juices, syrups, baby foods, etc.

The commodity structure of exchange with the socialist countries along the line of domestic trade at the present time is characterized by the following (in %):

		Export	Import
1.	Industrial goods of cultural-domestic and household application	64	38
2.	Clothing, footwear and fabrics	24	42
3.	Food products	12	20

The current status of the domestic market requires mobile commodity exchange operations depending on the market conditions which arise.

The textile goods surplus in a number of regions which occurred in 1987-1988, particularly in the republics of Central Asia as well as Azerbaijan, could be sharply reduced by using reciprocal deals. In exchange for the delivery of over 70 million meters in surplus fabrics to the socialist countries, over 1 million pairs of shoes were bought, 40 million razor blades, 10 million tubes of toothpaste, as well as shampoos, soap and cosmetics. Pantyhose and women's toiletry items were received through barter operations, as well as various food products. Altogether for 1988, as a result of the effective implementation of barter operations which utilized goods of sufficient assortment and surpluses, additional import goods in the sum of over 700 million rubles in retail prices were supplied to the domestic market.

Barter is conducted for more than 120 groups of consumer goods from market resources which are centrally planned as well as locally produced and distributed.

The application of local goods for barter is the primary reserve for increasing the volumes of mutual operations with foreign partners and for expanding the assortment of goods. Over the past 10 years the portion of these goods has increased from 30 to 50 percent.

With the mediation of the V/O "Soyuzpromimportorg", barter operations are expanding between the border oblasts and large department stores in various cities of the country, especially "sister cities". Thus, while in 1985 the volume of operations along these channels comprised only 19 million rubles in foreign trade prices with 38 Soviet trade enterprises participating, in 1988 there were already around 100 trade enterprises engaged in barter in a volume of 102 million rubles. And this is not counting the barter operations between USSR enterprises and trade organizations and the socialist countries along direct ties, which have become widespread in the past 2 years.

The ministries of trade and the enterprises of the RSFSR, the Ukrainian, Belorussian, Azerbaijan, Lithuanian, Latvian, and Uzbek union republics are participating most actively in barter operations.

A significant moment in the organization of barter operations is the staging of various commercial exhibits and trade fairs.

In 1988, for example, over 30 sales exhibits were organized in the republics, where foreign specialists could become acquainted with Soviet goods. They also visited republic and inter-republic fairs on the wholesale marketing of consumer goods, as well as ongoing exhibits and model display centers. Moreover, over 120 delegations of foreign specialists came to select goods directly at the trade enterprises.

A necessary condition for the development of barter is well-planned advertising work.

According to evaluations, just by stepping up advertisement work alone the additional exchange of goods which have not sold well in our country might comprise 100-200 million rubles. Of course, this requires additional expenditures, but ultimately they would pay for themselves by the deliveries of goods which are in high popular demand. And, after all, these expenditures are small: 0.2 percent of the volume of sales of Soviet goods.

The creation of an automated data bank is planned, with information on the regional availability of goods which may be supplied through barter, including their prices and technical parameters.

A rather promising form of barter includes the inclusion of products which are produced in surplus of state order,

as well as goods produced by cooperative organizations, various production by-products, non-liquids, and above-norm enterprise product reserves, into the list of consumer goods purchased for direct sale to the workers of these enterprises, as well as for the social needs of the labor collectives. According to the evaluations of USSR Mintorg specialists, by the end of the current five-year plan, the volumes of deliveries of goods which are in high demand directly for the enterprise collectives under such form of barter could comprise no less than 1 billion rubles.

Aside from barter operations implemented with the active assistance and mediation of the V/O "Soyuzpromimportorg", in 1987-1988 the trade enterprises and organizations expanded direct ties with their partners from the socialist countries. The USSR Mintorg keeps an accounting of the partners, and also implements control and methodological management of the direct ties. A standard contract has been developed, which notes all the requirements of international trade law, general conditions for deliveries by the CEMA member states, and the standards of civil law in the implementation of such deals.

The union republic trade ministries already have an apparatus which deals with barter operations based on the market resources of the republic, with the aid of which the trade ministries implement management and control over the formation of direct ties on the republic's territory.

The USSR Ministry of Trade charged the V/O "Soyuzpromimportorg" with implementing the coordination, control and methodological work with the enterprises and trade organizations establishing direct ties. There have been many conference-seminars of various kinds, as well as exhibits, trade fair sales, samplings and other measures associated with explaining the economic, organizational, legal and other questions arising in the establishment of direct relations. Moreover, there were ongoing consultations with the managers and specialists from enterprises and trade organizations participating in the direct relations.

The forms and methods of barter operations developed in the process of cooperation with our partners from the socialist countries made it possible to significantly expand the sphere of these operations in 1988. Today, reciprocal deals are being used quite extensively with the companies of capitalist and developing countries. We expect that the volume of these deals will comprise around 100 million rubles in 1989.

Of course, this work must be continuously developed, since the level of commercial training of our specialists is lower than that of their partners.

The conference-seminar held in April of 1988 in Brest had great practical importance for developing direct relations. Among the participants there were 223 representatives from trade organizations and enterprises

which had been given the right to establish direct relations with the trade enterprises of the PPR. At the same time, an exhibition and sale of Soviet goods was organized, at which the specifications were coordinated for 108 million rubles worth of goods. In October 1988 in Donetsk an exhibit and sale of Soviet and Czechoslovak goods through direct relations was held.

Altogether, according to the results for 1988 there were 327 pairs of partners participating in barter operations based on direct relations. These were from the USSR, PPR, PRB, CSSR, MPR, NRV and Cuba. In the current year, partners from the HPR and the DPRK will join this group. Deals have been concluded on exchange of goods in the sum of over 600 million rubles in retail prices. For a comparison we may point out that in 1987 direct trade comprised around 50 million rubles.

Participating in trade through direct relations from the Soviet side are oblast and city trade administrations, wholesale bases, trade auctions, department stores and trade associations from eight union republics—the RSFSR, UkSSR, BSSR, Latvian SSR, Lithuanian SSR, Estonian SSR, Azerbaijan SSR, Armenian SSR, as well as the USSR GUT MO (not further expanded). As compared with 1987, when such ties were just beginning to be established, the number of partners has increased by more than 5 times.

The normative statutes adopted by the USSR Ministry of Trade to regulate direct relations provide for full economic independence of the enterprises and trade organizations which, by-passing any mediators, independently resolve all questions of trade, including assortment, prices, goods selection, distribution of income received by direct relations, order of shipping goods (directly from the department store or from the manufacturing enterprise), delegation of specialists, reception of delegations of trade partners on a non-currency basis, etc. A necessary condition for conducting direct trade is the provision of economic effectiveness not only for each deal, but for each type of goods.

Practical experience has shown that not all Soviet goods can profitably be sold on a non-currency basis. Refrigerators, television sets, oil radiators, canisters and other complex technical and metal-consumptive goods represent great profits for the partners from socialist countries, while for the Soviet enterprises they represent losses. In such cases we must more broadly utilize the sale of goods according to contractual prices, with accounting performed in transfer rubles, or we must find other forms of accounting which would help to achieve the necessary effectiveness.

The practice of cooperation has begun to include the organization of national stores for trade in Soviet and Polish goods through direct relations. Thus, in Grodno the store "Eliza" has opened, which conducts trade in sewn and tricot goods, footwear, perfume and haberdashery goods of Polish production. In Brest there is the store "Podlyasya", which trades in goods from the

Byalo-Podlyasskiy border province of the PPR. A similar store will be opened in Moscow in 1989. At the same time, in Belostok, Poland the store "Neman" has opened, which trades in Soviet goods shipped through direct ties from Grodno oblast.

At the proposal of the USSR Mintorg and the trade ministries of the union republics, in order to reduce transport costs and time of goods shipment, additional commercial points will be opened at border crossings with socialist countries. Thus, in July of 1988 a control check-point was already opened in region of Lazdiyay (USSR)—Ogorodniki (PPR).

Summarizing what we have said, we should note that the further expansion of barter operations along the line of domestic trade causes the need for expanding and strengthening its organizational and economic base. A definite structure of organizations serving these types of foreign economic relations is being formulated in world trade. It includes state organizations, all-national associations, specialized trade companies, and subdivisions and groups of specialists in industrial and banking companies.

As foreign experts have noted, today the foundation is being laid for an entire industry of services on reciprocal trade, including barter operations in various forms. Measures for direct and indirect stimulation of such operations are being introduced. Specialists are being intensively prepared in this sphere. Projects for creating a special international arbitration on reciprocal trade are being examined.

In our country, measures have been provided for state regulation of foreign economic activity. In order to ensure the effectiveness of its management in combination with the broad economic independence of the participants, a system of their registration is being established, as well as a system of declaration of goods and other property moved across the USSR state border, an order for export and import of individual goods of all-state application, and measures for effective regulation of foreign economic relations.

This system extends to all types of foreign economic activity, including direct industrial and scientific-technical relations, port and border trade and barter operations, and to all participants in foreign economic relations. Participants in foreign economic relations are understood to be those enterprises, associations, production cooperatives and other organizations which directly implement foreign economic activity, including consortia, auction societies, trade houses, associations for business cooperation with foreign countries, joint enterprises, and international associations and organizations.

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### **Bogomolov Views Economic Models For Socialist Countries**

18250209 Moscow *EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV* in Russian No 8 Aug 89 pp 2-8

[Article by Academician Oleg Bogomolov, director of the USSR Academy of Sciences Economics of the World Socialist System Institute: "Socialism On the Path of Renewal"]

[Text] This article was prepared based on O. Bogomolov's speech to the International Scientific and Practical Conference "Problems in Restructuring the Mechanism for CEMA's Multilateral Cooperation and Socialist Integration and Activity" which was devoted to the 40th anniversary of CEMA's formation.

The winds of change have embraced not only the USSR but also many other socialist countries. A new model of socialism, which is adequate for the changed historical conditions, the present stage in the scientific and technical revolution and the increased enlightened and informed nature of society, is springing up before our eyes.

It is still early to assume that an integral, internally unified and harmoniously functioning system that one could rightfully recognize as a qualitatively new condition in socialism's economy which corresponds to our ideal conceptions and requirements and which permits resources to be organized more rationally than under capitalism, national economic processes to be directed conscientiously and in a planned manner and thereby reducing the element of spontaneity to a minimum, crises to be avoided, etc., has taken shape in real life.

The new factor is springing up both in theory and in practice. Through their common efforts, scholars are defining more exactly the theoretical concepts concerning a socialist economy and are forming a new vision of how it should function on the frontier between the 20th and 21st centuries. In all areas of the national economy, experiments are taking place at a scale previously unseen and islands of new ideas, which are providing rich food for analysis and reflection on the specific contours of future economic relationships, are arising.

The "new model" concept has an important semantic load: First of all, it has been called upon to emphasize the qualitative difference of that, which is now being created, from pre-reform realities. This new factor primarily consists of the fact that a socialist economy must be based on sufficient freedom for producers and consumers and on commodity-monetary relationships. We have become so accustomed to the monopoly of party and state hierarchical structures that the concept of "freedom" of the individual and the collective has turned out to be emasculated and farmed out to bourgeois ideologists. The same thing also concerns the market. Commodity-monetary relationships, which also

include healthy competition, are one of the most brilliant gains of humanity which have been polished and sharpened throughout the centuries since feudal times and even since the time of slavery. Life has still not created a real alternative to these relationships. Not a single very highly developed industrial society, even one having phenomenal computer technology at its disposal, has yet been able to form conditions that would permit it to shift to direct product distribution. The old idea, which had deep doctrinal roots, that the new society allegedly could reject the market and commodity-monetary relationships, was utopian from the very beginning. This is why the shift to the new model is a correction of past mistakes and a repudiation—in light of its illusory nature—of the fact that it corresponded to the requirements of progress at that time.

The new vision of a socialist economy does not mean, however, a repudiation of the entire classical inheritance of Marxist-Leninist thought, the ideals and values formed by it, and the method for researching economic phenomena and processes. The continuity of K. Marx's fundamental ideas, concerning the individual, the development of his creative capabilities, civilization, democracy, and the planned management of social life, is being maintained. Marxism's entire humanistic complex is being organically woven into a renovated concept of modern socialism and its economy. As the most important social values, freedom, social justice and human solidarity cannot become obsolete.

At the same time, it is necessary to stipulate that the model's thinking—on the whole, a fruitful cognition method—has not only unquestionable advantages but also shortcomings. The dangers and traps of social modeling are especially evident when it is applied to the social organism in its totality. Of course, it is necessary to picture to ourselves what we are striving for and where we are going. However, this does not mean that it is necessary to specify all of the elements in the theoretical model down to the smallest detail, to try to anticipate once and for all socialism's development in every detail and to advance a priori strict criteria for what is socialist and what is not. When one understands under the model a sparkling crystal palace, which has been designed to last for centuries into the future and toward which millions of people must march in orderly columns, then any error on the part of social engineers can lead to serious consequences. That is why, if one has in mind the long-term prospects of social development, it is evidently more advisable to formulate first of all its main goals, ideals and values without resorting to unnecessary ideological futurism.

The socialist economic model assumes the formation of an internally harmonious mechanism capable of acting, in which different levers would operate while being subordinate to a common logic. However, even here, of course, it is difficult to lay claim to an absolute final truth. Scientific and technical progress will be a bearer of much that is unexpected. In "Kapital", K. Marx wrote

that the factory and plant production, which was contemporary with him, was partially automated. Having accepted the "childhood diseases" of capitalism for a senile infirmity, he assumed that this system would completely exhaust its capabilities for development. Our concepts of technical and social progress have changed greatly since then. However, it is also difficult for us to foresee what surprises science and technology will bring to mankind even during the next half century.

One of the goals during socialism's renewal is the development of an economic model for it which would be capable of self-regulation, continuous self-renewal and adaptation to changing conditions.

In the opinion of scholars and economic workers in many CEMA member countries, the main distinctive feature of the new economic model should be a rehabilitated socialist market, which is regulated by a plan, with all the institutions and mechanisms inherent in it. If it is not sufficiently strong and if it is limited only to goods and services for the population, it will not be able to perform national economic functions, in particular, to reveal the cost of goods and services. The USSR has already made a political decision regarding the need for shifting to wholesale trade in the means of production. The first steps in this direction are being taken and not without difficulty.

Other socialist countries have gone further. In order to overcome economic isolation from the world market, internal convertible currency markets are being established. China, Poland and Hungary have taken concrete steps to organize markets for capital, in which securities—shares and bonds—will be circulated; a stock market has been opened in Budapest. More and more frequently, one hears talk about a market for information. China, Poland, Yugoslavia, and Hungary have stopped considering the idea of a manpower market to be sedition. If we want to emancipate the main production force of society—the worker, it is evident that he must have the freedom to direct his own labor, i.e., to recognize him as its owner.

In a planned regulated socialist market economy, the use of non-economic methods—orders, pressure from "above", and commands—must be reduced to a minimum. Economic regulation must replace them. The nature of planning is also changing: It must gradually be transformed into an indicator programming one from a directive one. The center's directing and leading role must not only not be weakened by this but, on the contrary, the sphere of action of spontaneous and uncontrolled processes narrowed. Enterprises must acquire considerably more economic independence and be freed from the ways of all-embracing regulation. Under the new conditions, labor collectives will demonstrate more initiative and enterprise and adapt production better to the rapid changes in equipment and technology and to the world market situation.

Many economists in the Soviet Union and other socialist countries quite clearly recognized the need for economic changes during the second half of the Fifties and the beginning of the Sixties. Unfortunately, not only did the new ideas enter the area of politics much later—during the middle of the Sixties (first in the GDR and later in the USSR, Czechoslovakia and Hungary)—but also a departure from them followed everywhere after some time. The new “flood” of reforms began 10 years ago in China; subsequently Poland and repeatedly Hungary and Bulgaria moved onto this same path. Our restructuring has had an effect on the course of changes in Mongolia and Vietnam. Under its obvious influence, the leaders of Bulgaria and Czechoslovakia have officially talked about the need for economic and political reforms although the readiness for them still does not mean that they will be unleashed immediately and widely. Yugoslavia, which—after 1948—began to develop along a path different from the majority of the other socialist states, has recently experienced a sharp need for reforms also.

The GDR stands somewhat by itself with respect to the overall reform movement. This is connected with the distinctive features of its economic life. For example, Poland or Hungary are establishing individual and cooperative sectors practically all over again in the handicraft and small-scale industrial production areas, construction, trade, and other types of services; however, in the GDR, all this has always existed during the post-war period. Regarding large-scale state production in this country, some adjustments: for example, economic regulators were installed and the independence of combines was expanded, were introduced in the economic mechanism in the Seventies during its centralization. Romania, the Republic of Cuba and the Korean People's Democratic Republic are still trying to solve problems using traditional administrative methods.

In each of the socialist countries, the national economy and social life possess unique features. The requirement for reforms is not identically acute; society and its leaders clearly perceive it in different degrees. However, the reforms are clearly growing. The economy is being renewed with a consideration for the specific national character. During this, no matter what mechanical copying of foreign experience is rejected and although successful solutions and fines are used in their own way, lessons are extracted from the blunders and failures.

Thus, with all these stipulations, renewal can be considered international in a threefold sense: first, restructuring and reforms are a reaction to the same vices in the previous management system; second, the principal main avenues of the reforms coincide; and third, the renewal is running into similar obstacles and problems.

The nature of these difficulties is not only purely economic. No fewer complications are arising in the public's awareness, ideology and the political superstructure. The prolonged rule of dogmatism in political economy and the publicizing of economic knowledge have instilled in

the people's minds a number of firm dogmas and prejudices, many of which were not socially neutral in any way. The ideas and real interests of certain social layers were “codified” in them. That is why reform practices at times evoke ideological confusion and sharp discussions about the development of market relations, the compatibility of a socialist economy with unemployment, inflation, the acceptability of profit for us, shareholder capital, a stock market, etc.

The policy of renewal requires very serious and fundamental ideological and theoretical study and justification so that the new vision of socialism will be convincing and based on a strictly scientific study of society's anatomy.

Evidently the time has also come to firm up our concepts of modern capitalism and its general crisis. In a number of highly developed capitalist countries, especially those where the Social Democrats have been in power for a long time (for example, Austria or Sweden), they have not only achieved a relatively high standard of living but have also created public funds and forms of social guarantees that protect the workers' interest to a certain extent. In other words, capitalism has used elements from the socialist and collectivist doctrine for its development. Considering this, Soviet science has already posed the question of whether not only the preconditions but also the elements of a higher type of social relations can arise in the midst of capitalism.

Social progress in the modern world does not occur in a single dimension but in several dimensions: capitalism's development on the latest economic, technical and technological base created by it; radical reforms and the profound renewal of real socialism; the interaction of social systems during the solution of global problems common to all mankind; peaceful competition for the people's hearts and minds; and the struggle of all progressive and democratic forces to establish a new economic order, eliminate neocolonialism and normalize peaceful economic ties.

A dialectical correlation exists between economics and politics. That is why it is right to ascertain the requirements a modern socialist economy imposes on society's political structure.

Previously, it was acceptable to think that strict centralism in the political area was adequate for the economic basis of a socialist society with its preponderance of state ownership of the means of production. Although they clothed it in democratic clothing in words, authority was in fact concentrated at the tops of the management pyramids and the democratic institutes and procedures and the logic itself for the functioning of the administrative system were transformed into a formality—a decorative element of society's political organization. In time, the practices of the majority of the socialist countries irrefutably proved that such a political arrangement does not permit socialism's economic capabilities to be

revealed, applies the brakes to initiative and prevents the introduction of scientific and technical achievements.

Wide-spread democratization of the entire state administrative system and of our society's political institutions is primarily required for the effective functioning of the new model for the economy. This assumes a sharp reduction in the role of the bureaucracy and the apparatus, the transfer of a considerable portion of competency to the lower links in the state and economic structures and the widespread use of self-management elements. The political system should open up the way to creativity and initiative in all their manifestations; allow a variety of forms in economic, social and political activity; create opportunities for comparing various versions of economic solutions and their competition so that as a result, after coordination, it would be possible to direct the energy of the citizens in the direction required by society. Such a favorable climate is possible only when the political system adequately reflects the interest of all population layers and groups (including those engaged in the individual and cooperative sectors) and defends them when necessary.

Society's political life should guarantee conditions for the functioning of mechanisms to self-regulate and self-correct the economy and for the unhindered operation of its laws. The improving of the entire complex of legal norms and the establishment of a procedure as a result of this, under which economic managers, labor collectives, enterprises, and individual persons will be able to count on stable rules and foresee in advance the consequences of some economic decision or other, have been called upon to play an enormous role. Undoubtedly, the readiness to proceed along the path of gradually forming a socialist state of law, which has been proclaimed in the USSR, answers these requirements. One of its most important tasks is to strictly regulate political interference in the economy, having determined its permissible forms and limits.

For a renewed socialist economy, it is extremely necessary to eliminate the negative system of selecting management cadres, replacing it with a selection process that would advance and encourage not middling and conformist but capable and energetic people who think creatively. It is no less important to establish systems for the political leadership's responsibility for the decisions they make and for the economic consequences of their decisions. The political and other responsibility of authors and implementers—even up to the highest echelons of power—should be personified and accompanied by the mandatory retirement of directors for incompetent and ineffective decisions. Finally, the necessity for a general rise in the political standards and morals of

party, economic and state personnel will be felt under the new management conditions.

Of course, political direction of the economy requires the accumulation of completely new experiences; study by party personnel; the selection of new, competent and capable workers; and the partial replacement of those who are not able to master the finer and delicate instruments for "tuning" economic life and market mechanisms and methods for revealing and coordinating the economic interests of the different population layers and groups. The development of normal—but, at the same time, reliable—mechanisms for replacing those who do not possess the gift of a large-scale and long-range vision of social and economic problems and who, having a strong will and a firm hand, do not, however, have the necessary professional knowledge and competence, is extremely urgent.

A special complication in the new situation (not only in the USSR but also in the other socialist countries) consists of the fact that the grave consequences of the protracted rule of the administrative command system—shortages in the economy, inflation, violation of important national economic proportions, etc.—which are often displayed in purely economic and particular problems, evoke a sharp reaction on the part of the population. They are acquiring a political tinge, over and over again requiring the effective and urgent interference of party agencies, in whose hands real power has been concentrated, and the use of extraordinary measures that run counter to the logic of the reforms.

Evidently, a radical change in the character and style of party leadership is required so that party personnel will, first, internally reorient themselves and adopt a new role and future functions and, second, understand that if they continue to solve the current painful problems in the old way using pressure and non-economic methods, movement toward the new system will never begin.

An analysis of the changing social life in Bulgaria, Hungary, Poland, China, Yugoslavia, and other countries and the practices in their use of market relationships; their granting of equal rights to different forms of ownership, including private; and their allowing of political pluralism and a multi-party system, the so-called constructive opposition, testifies that these countries are advancing using their own training grounds on which different ways to solve problems, which are also urgent for others, are being developed and checked.

Time will prove which of the innovations will withstand the test of life and which will be an unsuccessful experiment. One thing is indisputable: The collective experience in renewing socialism is more active today than ever before and serves the cause of restructuring.



### **Perestroika Dependent on Direct Republic Foreign Economic Ties**

*18250190 KOMSOMOLETS in Russian 15 Jul 89 p 2*

[Article by T. Manasaryan, candidate of economic sciences, senior research associate of the Armenian Branch of the USSR Gosplan Scientific Institute of Planning and Standards: "Perestroika and Foreign Economic Ties"]

[Text]

### **Armenian SSR Within the Framework of USSR's Foreign Economic Ties.**

The restructuring of foreign economic ties represents an important direction and a necessary prerequisite for successfully accomplishing the restructuring of our country's national economy. It relies, to a significant extent, on the study and utilization, whenever possible, of the experience accumulated by the leading industrially advanced countries of the world. This was repeatedly reiterated at the Plenums of the CPSU Central Committee.

The growing demands made by the people and the material production, the internationalisation of economic life, the increasing interdependence and cross influence of the national economies of the countries of the socialist community, and structural shifts accompanying present-day scientific and technological progress have predetermined higher demands put on foreign economic ties and economic strategy in the field, and a new approach towards them as a branch of the national economy.

The Armenian SSR is making a contribution of its own towards perfecting and developing the entire system of the USSR's foreign economic ties. In 1988, its 91 enterprises manufactured and supplied export goods. They shipped 110 types of goods to 63 countries of the world. Its total exports amounted to 134 million rubles, or 1.5 percent of the overall volume of industrial output.

Within the export structure, machine-building accounts for 45 percent; the chemical, ferrous and nonferrous industry, 18 percent; light industry, 13 percent; the food industry, 14 percent; and other industries, 10 percent.

The decrees adopted by the Party and government, especially the decree of the USSR Council of Ministers, "On Further Developing Foreign Economic Activity of State, Cooperative and Other Public Enterprises, Associations and Organizations", and the decree passed by the USSR Council of Ministers, "On Measures of State Regulation of Foreign Economic Activities", have enabled the Republic to upgrade its foreign economic ties. We believe that a successful implementation of the decrees depends to a large extent on broadening the rights enjoyed by the Council of Ministers of the Armenian SSR in issuing licenses for the export and import of goods (jobs and services).

The overseas Armenian communities have stepped up their activities. Their representatives provide monetary and financial assistance which is used in construction, equipment of outpatient clinics, children's homes, kindergartens, schools, and in rebuilding the destroyed towns and villages and starting joint ventures. Investments are made on easy terms in developing Armenian industry and establishing free enterprise zones in its territory. The creation of free enterprise zones in the Republic's territory can significantly stimulate the inflow of foreign currency, boost exports and help create competitive products, which in turn will satisfy the internal demand in the country for industrial and food products.

### **Increasing Competitiveness of Products**

The decree passed by the CPSU Central Committee and the USSR Council of Ministers, "On Measures to Radically Raise Quality of Products", says that the associations, enterprises and organizations should bear full responsibility for the quality of products, their competitiveness on the world market and the compliance of the new items and materials to the most stringent requirements demanded by scientific and technological progress. In fact, better technical and economic features of the products actually influence its competitiveness, which encompasses a gamut of characteristics determining the expenses incurred by a foreign consumer and which make it possible to sell them on a specific market. It should be realized that it is impossible and economically inexpedient to simultaneously raise the competitiveness of all important types of products manufactured in the Republic's territory up to world standards. The problem should be resolved stage by stage to achieve these goals. To accomplish this, the most important types of products should be selected at the first stage, whose competitiveness should be raised first. This list should include the items under control of the USSR Council of Ministers and the USSR State Planning Committee, as well as the products crucial for the Republic as a whole. Given such a list, it will be required first of all to limit the number of industrial goods under consideration, drawing on experts' competent opinion. As initial information, one should consider the list that includes the most important goods approved by the Council of Ministers of the Armenian SSR (what is meant is the list of the finished goods only). This list can be curtailed on this basis by asking the opinion of the respective specialists at the ministries and agencies and at branch institutes.

Two ways are available in the main for raising the competitiveness (or at least the exportability) of the most important goods of the highest quality turned out by the Republic's industry - by perfecting the economic accountability mechanism at the existing enterprises and by starting joint enterprises. The second way looks the most effective and feasible today. The establishment of joint enterprises falls in the mainstream of the ongoing radical economic reform and is intended to accomplish the following major tasks: increase the competitiveness (



exportability) of the domestic goods and successfully sell them on the internal market; promote a stable internal market for goods and services; satisfy the solvent demand of the Republic's population for industrial goods and food products; locate the labor resources in a rational manner; provide full employment drawing on the scientific potential accumulated by the Republic; improve the monetary, currency, credit and financial mechanisms; and enable the Republic to balance its foreign currency budget.

The effective solution of the mentioned and other related problems requires an overhaul of the present foreign currency mechanism as well as of the monetary and economic policies.

#### **Currency Mechanism and Currency-Economic Policy**

The currency mechanism of the country and of the Union Republics creates many difficulties in enabling the economy to operate effectively and make the enterprises enter the foreign market. Differentiated currency rates, which should be abandoned, present one such difficulty. This can be done on the basis of the decree of the USSR Council of Ministers No. 1405 making it possible to receive foreign currency as it comes from a foreign buyer, and not at the end of the year, as it was done before.

To stabilize the currency mechanism, which is necessary to provide continuity of the production and consumption processes and to help the government in conducting an effective internal and external foreign economic policy, some of its directions should be changed. In particular, it appears expedient to replace the policy of allocating foreign currency reserves with one of extending foreign currency loans. It is important for the enterprises to be able to pay foreign currency loans not only through currency funds but also through foreign currency earnings. The policy of extending foreign currency loans will bring about the circulation of foreign currency in addition to the monetary circulation and will gradually facilitate the transition towards the expanded regeneration of foreign currency reserves. This will smooth over the economic life of the Republic, while the economic impact on the national economy will be both considerable and ever growing, which is typical of any type of industrial investments. We believe that in this way the Republic will be in a position to redistribute justifiably and utilize effectively the foreign currency reserves available to it.

The restructuring of the banking system is called upon to play an important role in improving foreign economic ties and increasing their positive influence on the Republic's economy.

#### **Restructuring Banking System**

Recent experience has shown that the existing banking system does not serve the foreign economic ties of the regions effectively enough. The Armenian branch of the Vnesheconombank (formerly Vneshtorgbank) extends

foreign trade loans and makes export and import settlement payments. The limited character of the present functions as well as a timely solution of a number of complicated questions involved in foreign economic ties call for the establishment of new commercial banks. The experience of such foreign banks makes it possible to assume that they can become, in fact, shareholders, the Republic's economic organs capable of promoting cooperation in extending loans and executing factoring operations.

A cooperative bank that will include a joint ownership by the state and a stock owner can contribute tangibly to the solution of regional economic problems. We believe that it makes sense to start with one or two new banks, considering specific regional conditions and the degree to which these banks correspond to the solution of particular economic problems and also difficulties involved in organizing them. Irrespective of structural and functional distinctions, they are united in their common goal of receiving foreign hard currency.

Under the new economic conditions, the Vnesheconombank will see its role enhanced, since it has the right to organize currency auctions, the currency market where the currency earned from foreign buyers can be spent, to freely exchange foreign currency reserves, to buy and sell these reserves with Soviet rubles and to establish real currency exchange rates.

Operating within a single monetary and credit system of the country, these banks will be able in the future to concentrate in their hands and move around available currency reserves through loans. Starting just as brokers, they will evolve to become powerful financial institutions participating in financing the construction of important projects, a fact mentioned during the September Plenum of the Central Committee of the Armenian Communist Party. To achieve this, it will be necessary to strengthen banks's ties with major industrial enterprises in the Republic involved in foreign economic activity, and also with the banks and financial institutions in other countries and with major international organizations.

Therefore, the restructuring of the present banking system and the establishment of new banks are intended to promote the Republic's foreign economic ties and to solve important social and economic problems associated with the economy of the Armenian SSR.

#### **Foreign Economic Ties and Problems of the Republic's Mountainous Regions**

The development of such forms of foreign economic activity as scientific, production and technical cooperation and the establishment of joint enterprises and free enterprise zones can be targeted to solve such pressing problems facing the mountainous regions of the Republic as the unsatisfactory solution of the social, economic, cultural and everyday problems, unfavorable road and transport conditions, ineffective material and

technical supplies, underemployment ( which results in the migration of the local labor force and the depopulation of entire villages).

Considering the current trends in the world economy and the specific conditions of mountain regions, it appears most expedient to start modern specialized small and medium-sized joint ventures. They will be able to make a fuller account of the local material, labor and financial and foreign currency resources, on the one hand, and the general and specific demands of individual markets for competitive products, on the other. As far as the Republic's mountainous regions are concerned, these include the manufacture of machinery and equipment for mountainous farming, output of products in the field of the renewable sources of energy and also national folk crafts, some types of Armenian food products which can be in high demand in overseas markets.

The solution of the above-mentioned and other problems associated with the economy of the mountainous regions can have a salutary effect on the economic life of the Republic as a whole.

Therefore, further development of the foreign economic relations is determined by many factors, first of all, by the establishment of an effective foreign currency mechanism, the restructuring of banking, increasing the competitiveness ( exportability) of finished products, the dynamics of economic development and the achieved level in the development of the export potential of the Republic.

An increased effectiveness of activities in the areas mentioned calls for the need to develop and deepen the methodological and practical aspects of these problems. A practical solution of the tasks in the field of foreign economic ties requires new approaches in organizing and planning these activities.

### Options for Financing Joint Ventures Viewed

18250199 Moscow DENG I KREDIT in Russian  
No 7, Jul 89 pp 38-41

[Article by A.L. Smirnov, candidate of economic sciences and department head at the USSR Vneshekonombank, and S.I. Yuriy, candidate of economic sciences and docent at the Ternopol Financial-Economic Institute: "Joint Enterprise"]

[Text] The new mechanism of foreign economic ties, which is taking shape at a time of qualitative transformation in all units and aspects of the social reproduction process, must actively contribute to the resolution of the tasks posed by economic reform. Increased attention to foreign economic activity is explained by the fact that there is "virtually no sector which has not been drawn into the sphere of foreign economic ties."<sup>1</sup> However, as N.I. Ryzhkov noted, the "traditional forms of foreign trade exchange have virtually exhausted themselves and do not provide for the necessary dynamics of cooperation."<sup>2</sup> Moreover, the structure of Soviet exports

which has evolved is not in line with the production potential and sector structure of our national economy; the export potential of the processing industry, especially machine building, is not being utilized satisfactorily. In recent years machines and equipment have constituted no more than 15 percent of Soviet exports, while raw material commodities have accounted for more 60 percent, with energy-bearers constituting nearly half of all commodity exports.<sup>3</sup>

Under these conditions unconventional solutions are required for the questions of how to break into foreign markets on a broad basis. The establishment on USSR territory of joint enterprises, international association and organizations with participation by Soviet and foreign organizations, companies and organs of management was specified by a 13 January 1987 ukase of the Supreme Soviet Presidium, and they constitutes one the most effective and promising nontraditional forms of cooperation.

As long ago as the NEP (New Economic Policy) period V.I. Lenin pointed out: "Profits from foreign trade are measured in hundreds of percents; we are beginning to obtain millions and tens of millions. We have begun to build mixed societies, we have begun to learn how to obtain half of their (enormous) profits."<sup>4</sup> It was during this period that V.I. Lenin attributed great significance to mixed societies, which included participation by private capital, as a system to supplement the monopoly of foreign trade. "The system of mixed societies is the only system which is in a position to actually improve the poor apparatus of the NKBT (The USSR People's Commissariat for Foreign Trade), for under this system the foreign and Russian merchant work side by side."<sup>5</sup>

The entire subsequent period of the formation and development of USSR trade and economic ties with foreign countries confirmed that V.I. Lenin was correct in calling on people to study the "set-up of model enterprises abroad."<sup>6</sup>

The basic goals which are to be pursued when joint enterprises are established on USSR territory amount to the following: attract advanced foreign technology and management experience, supply more fully the domestic market for high-quality products, develop the country's export base and utilize additional material and credit resources in the national economy.

Economically the essence of joint enterprise lies in combining the resources of partners from two or more countries for the joint production and sale of output, for scientific-research work, for the performance of various kinds of services and other types of activity specified by the existing legislation, at the basis of which lies the principle of joint distribution of profit and risks. The commercial advisability of uniting the resources of partners may arise for various reasons. Firstly, the implementation of certain projects is related to the need to attract on a one-time basis capital investment so large that one country is not always able to mobilize it.

Secondly, the inter-sector division of labor occupies a significant share in the international division of labor, while the capital intensiveness of individual sectors differs substantially (as calculations show, the fund-intensiveness of the fuel and raw-material sectors is approximately 5-8 times greater than the level in machine building, in light industry or the food industry).<sup>7</sup> Thirdly, in the course of the scientific and technical revolution several countries may become interested in making joint production use of the results of scientific-research and planning-design work; this gives rise to the need not only for production and scientific-technical cooperation but also for joint capital investment on the territory of one or several interested countries.

In addition, with the usual direct ties, international production relations function as relations among suppliers and consumers, but at joint enterprises they are formed on the basis of the single economic interest of the partners. Jointly they create the basic producer goods, jointly they produce and sell output; they decide among themselves at what price the produced goods should be sold and how the profit obtained should be utilized. The participants in this enterprise have common international goals of entrepreneurial activity, and as experience shows, their mutual benefit is most fully realized within a framework of joint enterprises since a stable base of joint property as well as contractual relations unite the partners.

The establishment of a joint enterprise presumes careful preparation of the appropriate technical-economic groundwork, including the currency and financial aspects of the future project. In this process the following all have decisive significance for the realization of a majority of projects: questions related to the extension of credit, and to the analysis of the financial position of the participants in joint enterprises, as well as pre-investment studies, which make it possible to draw conclusions about the profitability of the project and its "reliability," the judgment and distribution of the credit risks, the determination of the provisions and credit guarantees which are acceptable to the creditors.

The key questions in the creation of joint enterprises include the formation of charter capital; the determination of what should go into it (payments in cash, "know how," or contributions in the form of equipment, buildings, etc.); as well as the specification of the amount and ratio of the participants' contributions.

Soviet legislation has granted significant freedom in the resolution of these issues: the only limitation, which kept the maximum share of a foreign partner in a joint enterprise to 49 percent, was removed by a decree of the USSR Council of Ministers on 2 December 1988. As a two-year period of experience (1987-1988) showed, foreign partners were not attempting to increase their share in the charter fund either in absolute or in relative terms. For example, out of 70 projects for joint enterprises 24 enterprises had a fund of this kind amounting to up to 1

million rubles, 24 other enterprises had a fund of up to 5 million rubles; 12 enterprises had a fund of up to 10 million rubles, and only in 10 cases did it exceed 10 million rubles. For these 70 joint-enterprise projects for a total investment of 530 rubles has been planned; moreover, foreign partners account for only one-third of this sum.<sup>8</sup> Along with removing the limitation placed on the foreign partner in the formation of the charter fund for joint enterprises, the decree also established that beginning in 1989 the charter fund can be increased either through the profits derived from the economic activity of the joint enterprise or through additional contributions from its participants. Moreover, the investment may include buildings, other facilities, equipment and monetary resources in the currencies of the countries participating in the joint enterprises and in freely-convertible currency. The establishment of a reserve fund is stipulated in order to ensure the smooth functioning of the reproduction process and the circulation of the joint-enterprise means; this fund is to come from profits, deductions from which are made until the size of this fund reaches 25 percent of the charter capital. The size of these deductions is established on the basis of agreement between the parties.

When a joint enterprise is being organized, companies and corporations from foreign countries as well as banks may act as partners; their participation in mixed form is possible. For example, a Soviet-French enterprise for the production of aluminum foil (the Kanakerskiy Plant) is being established; participating on the French side are one of the world's largest producers of packaging materials, the Pechenet Company, and a consortium of banks, headed by the Credit Lyonnais. The bank acts in two capacities. In the first place, as a shareholder; the Credit Lyonnais's contribution to the enterprise's charter fund is about five percent of the shares. In addition, the bank is responsible for granting credit in foreign currency, which is essential for starting up the operation of the new joint enterprise.<sup>9</sup>

Undoubtedly, the size and forms of the partners' contribution to the charter fund, along with the ratio of "own" to borrowed resources, should be determined in each specific case. The main criteria here must be the ability to pay, as well as the profitability and stability of the enterprise's operations.

In a majority of cases the founders do not have enough capital of their own and from the very beginning they must use borrowed resources for the joint enterprise which is being established. For example, in the FRG only about one-fifth of the capital at the disposal of enterprises is their own, and they must attract from outside more than 80 percent of the required funds. In recent years this figure has had a tendency to grow because the present-day means of production are becoming increasingly capital-intensive.

The operational experience of those joint enterprises which have been established shows that such enterprises need several forms of credit: long-term, which is used to

pay for importing equipment, for technical documentation and construction work; credit to cover a temporary gap in incomings and current payments; and short-term credit for working capital. All three forms of credit in foreign currency can be granted by the USSR Vneshekonombank, and with its permission by foreign banks. The mandatory Vneshekonombank participation in resolving the question of whether to extend credit in foreign currency to joint enterprises is linked to the need for the bank to control the volume as well as the conditions of foreign borrowing. The Soviet state is not responsible for the obligations of joint enterprises; however, credit investments in joint enterprises on USSR territory are viewed by foreign creditors as a "Soviet risk." It is understandable that the unlimited and uncontrolled growth in the foreign-currency indebtedness of joint enterprises could have an effect on the credit "rating" of the USSR as a first-class borrower.

Credits in Soviet rubles can be granted by the Promstroybank, the Agroprombank and other specialized banks, including Vneshekonombank.

At the present time the necessary normative documents have been formulated to regulate credit and currency-financial questions concerning the operations of the joint enterprises and international associations which are being created on USSR soil with participation by firms from socialist, capitalist and developing countries.

In particular, it is stipulated that joint enterprises deposit their own monetary resources into ruble and foreign-currency accounts respectively in one of the specialized banks and in USSR Vneshekonombank with interest to be paid on these accounts. In the first two years of operation the joint enterprise is not required to pay tax on profits. Upon expiry of the preferential-treatment period, the enterprise pays tax amounting to 30 percent of that portion of the profits remaining after deductions are made to the reserve fund, as well as to other funds intended for the development of production, science and technology. Foreign partners of a joint enterprise are guaranteed the right to shift abroad in foreign currency those sums which come to them as a result of the distribution of profits. In addition, the USSR Ministry of Finance is granted the right not to tax for a definite period the portion of the profits due to the foreign participant in a joint enterprise when they are being shifted abroad, or to reduce the size of the given tax.

The credit-account services provided for joint enterprises are based on the same rules which operate in regard to state enterprises and organizations. Although certain questions with regard to the organization of credit services and the maintenance of accounts for joint enterprises need additional work, inasmuch as the job of providing sound banking services for the enterprises which have been established is not yet at full capacity, the banking system even now is prepared to grant this group of new clients the entire range of banking services.

Along with the provision of consultation and credit-account services for joint enterprises, the specialized banks have opportunities for direct participation, as founders, through the use of their funds in the formation of charter funds of Soviet-foreign enterprises. In this case banking institutions themselves act as entrepreneurs, and on an equal basis with the other participants in a joint enterprise, they can exert a direct influence on the course of investment and reproduction processes, as well as participate in the formation of an enterprise's economic policy and in the adoption of fundamental management decisions; with their own representatives in the management, they can function a party directly interested in the final results of the financial-commercial activity of the joint enterprise. At the same time receiving dividends provides them with a more profitable investment for their resources, and this is, in essence, investment activity.

Banking could become an independent area of joint enterprise: mixed banks, joint financial, investment, consultative, licensing and other companies. This direction in joint activity, which is new for Soviet banking institutions, needs comprehensive study. The development of new forms of cooperation among commercial and specialized banks could become an effective vehicle for stimulating the acceleration of the start-up process for joint enterprises in the USSR, as well as the introduction of today's progressive forms of banking service both for the traditional as well as a new clientele in the form of joint (international) economic enterprises and organizations.

Taking into account the specific features of a specific project (and practically every one of them is unique in its own way), various systems for providing it with foreign-currency credit can be used: the first involves the granting of loans by foreign banks directly to joint enterprises with a guarantee from interested Soviet juridical persons (for example, founder organizations). The amount of such guarantees, as a rule, must not exceed the participation share of the Soviet person in the charter capital of the joint enterprise; it must be commensurate with the foreign-currency funds at the disposal of the guarantors. The second involves providing loans for the purchase of machinery and equipment (relatively insignificant) as well as short-term loans to cover current foreign-currency requirements of the joint enterprise through foreign-currency credits granted to it by USSR Vneshekonombank (the organization and techniques of funding, as well as questions of the guarantees under this alternative are determined individually in every specific case).

The partners and the banks providing credit for the project have the right in principle to choose any method of extending credit; they can modify or work out a new system, including a combined one, if this is economically justified and ensures the commercial interests of the creditors and borrowers.

It is important to emphasize that a coordinated plan for a joint enterprise must be examined by USSR Gosstroy; quotas for capital investment in construction-installation work to be carried out by Soviet construction-installation organizations and material resources for the given facility must be allotted on the basis of priorities.

In this regard I would like to mention the following considerations. Foreign partners sometimes raise the question of having the Soviet side grant government or bank guarantees, thus shifting onto Vneshekonombank as a first-class borrower all the repayment risks of the credits issued to the joint enterprise, including the respective joint obligations of the foreign partner. In putting forward this kind of demand the foreign partners do not take account of the well-known fact that the state is not responsible for the obligations of enterprises (either joint or "purely" Soviet ones), and it is precisely the guarantees of the founders, along with the obligations of the joint-enterprise participants themselves, and, finally, the plan as such which above all must provide reliable security for the loans which are being extended.

The question of governmental guarantees (and frequently bank ones as well) is also related to a certain degree to the lack of opportunity on the part of foreign creditors to obtain the necessary data about Soviet participants in joint enterprises or equally about Soviet guarantors (annual reports, reports of profits and losses, and other information on which one can judge the financial position and ability to pay), which are, as a rule, available in other countries; the question also arises in connection with the changes taking place in the quantity, composition and functions of various ministries, which causes our contractors and partners to have doubts about the reliability of their guarantees.

It would seem that the proposal for governmental organs to "back up" the obligations of joint enterprises or their founders could act as a brake on the process of decentralizing foreign trade and lead to that kind of situation in which the guaranteeing of the decentralized sector of foreign economic activity is virtually locked up within the USSR Vneshekonombank. And this will weaken the requirement of the principle of foreign-currency cost-recovery and khozraschet responsibility of enterprises and will slow up the establishment of real direct cooperative links between domestic industry and foreign partners. Moreover, if the state takes upon itself definite guarantees for the extension of credit for purchases by joint enterprises, then this form of cooperation, in essence, will be little different from the traditional forms of trade and economic relations between the USSR and capitalist countries; it will be in fact a continuation of the practice of financing planned imports of machinery and equipment from those countries, a practice which calls for payment to be made by centralized sources. At the same time state guarantees will lead to the "erosion" of the joint-enterprises' responsibility to ensure the necessary

export income from the sale of output on foreign markets, the observance of the principles of foreign-currency cost recovery and self-financing.

One of the central questions in the operation of joint enterprises is the mechanism for price formation, accounting and reporting. In our opinion, it is advisable to keep accounts in the national currency of that country in which the enterprise is located, while deliveries to the joint enterprise from the country of the co-owner or third countries are paid for in foreign trade prices. This dialectical unity makes it possible, on the one hand, to ensure balance in enterprise operations in the national currency, and on the other, balance in international currency, in that part which reflects the movement of goods being exported and imported. However, in order to have uniform and objective reflection with the corresponding cost evaluation of both of these streams it is essential to resolve the problems of the convertibility of the Soviet monetary unit; in a parallel manner this will introduce great clarity into the questions of foreign-currency cost recovery and self-financing. The export by joint enterprises of part of their output onto the world market will also contribute to this. In general, the problem of the convertibility of the ruble is extremely complex. In the first place, its resolution presumes that part of the product being produced absolutely must go abroad, where, as a rule, there is already enough of it. In the second place, in the overwhelming majority of cases the product is in short supply in this country's domestic market. That is why in the first stages of a joint enterprise's operations, if the foreign-currency which has been earned is not enough to pay for imports (including payments for loans which have been extended and the accumulated interest) or to transfer part of the profits abroad, the foreign partner may obtain the remaining part of his profits in commodity form through purchase in the USSR of the output which he needs.

As for the short-term prospect, beginning in January 1990 a 100-percent surcharge will be applied to the exchange ratio between freely-convertible currency and the Soviet ruble. In the future, beginning in January 1991, plans call for a new currency exchange rate to be used in accounts for foreign economic operations.

One of the mandatory conditions for the introduction of convertibility for socialist currency is the active development of foreign economic ties within a framework of two socio-economic systems. Toward this end a list has been drawn up of more than 320 facilities within the USSR which can be opened for participation by interested foreign partners in 1989-1990 and the Thirteenth Five-Year Plan; this list has been brought to the attention of foreign business circles. The list reflects the structural, technological and investment priorities for the future development of the USSR economy and includes 69 facilities in the agro-industrial complex, 60 in the chemical-forestry complex, 50 in the social complex, 48 in the machine-building complex and 33 in the construction complex.<sup>10</sup> The expansion of these ties opens up a large source for the steady inflow of foreign

currency, the creation of appropriate currency resources and a mechanism for the convertibility of the Soviet ruble.

Thus, the further expansion of operations by joint enterprises requires, in addition to the acquisition of greater practical experience, careful theoretical analysis of the entire range of their relations with banks and other organizations which participate in foreign-economic ties, as well as with the state budget. Financing for joint projects must be based on the principles of mutual benefit for the parties arising from a fair distribution of both the profit which may be obtained, as well as the commercial and financial risks.

Footnotes

1. "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuz" [Materials of the 27th CPSU Congress], Moscow, Politizdat, 1986, p 257.

2. N.I. Ryzhkov, "O gosudarstvennom plane ekonomicheskogo i sotsialnogo razvitiya SSSR na 1986-1990 goda" [Concerning the 1986-1990 State Plan for

the Economic and Social Development of the USSR], Moscow, Politizdat, 1986, p 45.

3. KOMMUNIST, No 15, 1987, p 26.

4. V.I. Lenin, "Poln. sobr. soch." [Complete Collected Works], Vol 45, p 221.

5. Ibid., p 336.

6. Ibid., Vol 42, p 75.

7. See "Razvitiye sotsialisticheskoy obshchestvennoy sobstvennosti" [The Development of Socialist Public Property], Moscow, Ekonomika, 1980, p 99.

8. KOMMUNIST, No 12, 1988, p 44.

9. IZVESTIYA, 10 Dec 1988, p 5.

10. KOMMUNIST, NO 12, 1988, p 43.

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**Economic Ties with Switzerland Discussed**

18250208 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 38 Sep 89 p 23

[Article by B. Rachkov: "Mercury on the Winds of Change"]

[Text] Zurich-Lugano-Berne—"The USSR foreign trade turnover in 1988 increased by 2.5 percent in comparison with 1987. Nevertheless, it grew quite substantially with a number of countries, in particular, by 33 percent with Switzerland. Why did this happen and to what was it due?" A. Kulbitskiy, a reader from Leningrad, asks this question.

Last year, Soviet-Swiss trade turnover exceeded a billion rubles (approximately 1.6 billion U.S. dollars according to the official rate of exchange) for the first time and Switzerland occupied second place among our Western partners according to this indicator. Trade with it increased in both directions.

What specifically caused this significant increase in Soviet-Swiss trade last year?

Viktor Vladimirovich Chulkov, the USSR deputy trade representative in Switzerland, says: "The restructuring in the economy is prompting our domestic industry to actively modernize itself using the latest equipment which is still very much lacking at home. Switzerland is famous for particularly fine machines and several types of press-forging plants. Even such leaders of scientific and technical progress in the West as the FRG, the United States, Italy, France, and other countries, regularly purchase them for large amounts. Many branches of Soviet industry are also among the buyers of Swiss equipment. Last year, they increased their purchases of Swiss equipment twofold. They paid approximately 440 million rubles for it.

"What did they use to pay for the imports?"

"Unfortunately, we mainly paid for them as we did before—with receipts from the sale of fuel and raw material goods. Of course, the exporting of fuel and raw material products was severely criticized during the first Congress of People's Deputies and session of the USSR Supreme Soviet. This is right. However, something else is also evident: If one should immediately withdraw fuel and raw material resources from Soviet exports to Switzerland, our country would be practically deprived of this market. We would not be able to purchase here very necessary goods worth hundreds of millions of rubles a year. You see, among them are those, which permit our foreign economic ties to turn, as they say, "their face toward the individual." This means making a large contribution to the fulfillment of social tasks, the solving of the Food Program, and the providing of people with consumer goods, medicine and medical instruments.

When preparing this article for publication, I listened over and over again to my reporter's tape recorder. The voices of trade representative workers were heard.

Sergey Yevgenyevich Tugolukov, Andrey Grigoryevich Boyarinov and Vladimir Nikolayevich Rudometov talk about how gratifying it is to see the awakening interest of Soviet enterprises and labor collectives in independent export-import work and in increasing the quality, reliability and reputation of our equipment. Without it, we cannot break from the ranks of primarily raw material exporters. No unimportant role has been allocated here to new forms of cooperation.

More than 20 joint enterprises with Swiss firms have already been established on the territory of the USSR. It is true that there are still few genuinely significant ones among them but the first steps of the majority of them have been successful. For example, the Kranlod Crane Building Enterprise for the manufacturing of the Informvest automated control systems, Diaplyus for the production of immunodiagnostics, Mosenikoinvest for designing, construction and marketing, and others are among these.

A. Kofken, the owner of the Kopeksim firm, said in his office in Zurich: "My firm, Kopeksim, is expanding its joint business with its Soviet partners mainly in the agroindustrial area: from the establishment of well equipped points for the rapid sale of breakfasts and dinners to the processing and export sales of fishery wastes. The joint introduction with Sovrybflot of an original method for processing inedible fish oil is, for example, already bringing several million dollars of pure profit a year to both parties. The work is expanding so swiftly that it is necessary to urgently expand the office. I work 10-12 hours a day. I have done without a vacation for several years although I am the owner. Time is money...."

The guaranteeing of profitability and a profit is the most important task of a businessman no matter where and with whom he works.

F. Anzhelis, financial director of the Eniko firm which is based in Lugano and which is energetically expanding the geographic area and structure of its activity, said: "Regarding our Soviet partners, they have all the main preconditions for success, generally speaking. You not only have raw material but also skilled manpower and, what is the main thing, a multitude of scientific works which are awaiting introduction."

V. Santrich, the president of Eniko, pointed out: "That is why we are not satisfied with only raw-material businessmen in our interactions with our Soviet partners—as it was before—we are now stressing equipment and new technologies. They now bring us more profit."

But what do the famous "Swiss gnomes"—the bankers who most frequently anonymously embody this country's financial power—think about joint business undertakings in the USSR? I had to spend quite a bit of time and resort to numerous guarantees and recommendations before I finally managed to be honored with a brief conversation with one of them in the main office of the

Banka della Svizzera Italiana—one of the largest banks in Switzerland with branches throughout the world.

J. Antonini, the chairman of the bank's board of directors said during a conversation: "Joint business ventures in the Soviet Union are becoming more and more attractive to bankers also. In particular, we have already begun to finance this type of activity but still without any special dividends. I assume that they will grow as the reforms, which have received the name "restructuring", deepen in the USSR. The conversion, which is beginning in the world, promises dividends for us and for you ..."

When listening to the banker, I could not fail to note a remarkable fact to myself: The very first contracts, which became possible thanks to the disarmament that has been begun in the world, were concluded by the Soviets with firms in Switzerland—a country that has been neutral for a long time. There were the contracts of the Odesskoye Heavy Crane Building Production Association imeni the January Uprising and the Swiss Libkherr Internatsional firm.

The partners have profitably agreed to reequip Soviet missile chassis into powerful cranes using the latest traversing and lifting mechanisms from the Libkherr firm. The new cranes have found a use in the USSR and abroad.

Vladlen Konstantinovich Shalnov, a trade delegation representative, says: "The case is not unusual. Let us visit, for example, the Intereydzheni firm which is close to Zurich and which is familiar to EKONOMICHESKAYA GAZETA readers. It sells several types of machines made in the USSR."

Along the way there, I recalled the details of my previous visit three years ago when it was necessary to blush quite a bit before this firm's workers because of our machine builders. EKONOMICHESKAYA GAZETA had criticized them.

Gerkhard Bryuggeman, the firm's manager, exclaimed while greeting me as an old acquaintance: "Now, we have been convinced of the reality of the criticism. Of course, everything is not so simple but we have noticed an increase in the quality of the machines from the USSR."

The manager showed me a batch of machines which had just arrived from the Kiyevskoye Machine Building Production Association imeni A. M. Gorkiy. There were 14 of them—and all were in excellent condition. Soviet specialists, who had come here from Kiev to assemble them, were bustling about our native equipment.

Meanwhile the Intereydzheni manager led me to a small but intricate machine. When we were almost resting on it, G. Bryuggemann said:

"In front of us is a machine from an aviation machine building defense plant in the city of Vladimir. These plants, which you call 'post office boxes', were usually

tightly closed to us, people from the West. The conversion began to open them up to the foreign market place. I have had occasion to be the first one to visit several of them, for example, the Vladimir plant. I bought two machines, which caught my fancy, there and they exceeded my expectations. I hope to purchase them by the dozen...."

When listening to the businessman, I remembered M. S. Gorbachev's speech given during those same days to West German business people in Cologne, in particular, that the lifting in the USSR of the "internal COCOM [Coordinating Committee on Multilateral Export Controls]" is revealing quite a few reserves for trade and cooperation with the West in the area of industry, science and technology.

Now, here near Zurich, while looking at machine tools with the Vladimir "post office box," I and the Swiss person to whom I was talking seemingly felt the fresh breath of the winds of change in international politics and seemingly saw with our own eyes how the god of trade, Mercury, is beginning to gradually, but firmly, crowd the ancient god of war, Mars, from the foreign economic proscenium.

## Italian-Soviet Economic Ties Highlighted

### Trade Statistics Cited

18250207a Moscow EKONOMICHESKAYA GAZETA  
in Russian No 37 Supplement Sep 89 pp 1-2

[Unattributed report: "Italian-Soviet Trade"]

[Text] According to Italian statistics, the total trade volume between Italy and the USSR grew during 1988. This was primarily the result of an increase in Italian purchases in the Soviet market.

Among the industrially developed countries of the West that generally increased their deliveries to the USSR during 1988, Italy is an exception. Whereas Italy managed to increase the amount of its exports to the USSR by 15 percent during 1987 despite a situation where there was a general decrease in Soviet purchases in the West, Italian deliveries to the Soviet market decreased by more than 20 percent during 1988.

According to USSR State Committee for Statistics data, the active balance of the USSR in trade with Italy grew threefold. Nevertheless, this is less than the record achieved at the beginning of the Eighties and was 348 million rubles (731 billion lira).

According to Italian Central Institute for Statistics (TsIS) data, whose figures basically coincide with the Soviet data, Italy's trade deficit reached 1.358 trillion lira in 1988. This was approximately 530 billion more than during the previous year. In this regard, exports to the USSR decreased by four percent but imports from the Soviet Union increased by 11.3 percent.



**Italian-Soviet Trade (in billions of lira)**

	1986	1987	1988
Imports	3645	3676	4092
Exports	2410	2847	2734
Balance	-1055	-829	-1358

Source: TsIS, Rome

This situation is explained to a certain degree by the fact that part of the contracts for delivering goods to the Soviet market, which were signed between the enterprises of our countries during the second half of 1988, were not included in the statistical data. This, however, would not decrease but, on the contrary, would increase the amount of Italy's negative balance.

During 1989 as a result of the large Italy-2000 exhibit, which was held last fall in Moscow and which had a beneficial commercial response, and the conclusion of an intergovernmental credit agreement, economic and industrial cooperation between our countries should intensify and be raised to a new level. According to TsIS data, the volume of Italian-Soviet trade has grown by 20 percent during the first quarter of 1989. The trend of primarily increasing Italian imports from the USSR (+34.3 percent) has continued at a time when the sale of Italian goods to the Soviet Union has increased by 1.3 percent all told. During recent months, however, Italian enterprises have concluded a number of contracts to deliver goods to the USSR, especially textiles, clothing and chemical industry products. This should be reflected in the statistics beginning with the second half of 1989. The decision of the Soviet government to accelerate import purchases of consumer goods will also contribute to this.

Italy has a high degree of specialization in just those branches which the Soviet economy considers the priority ones for carrying out an accelerated modernization. Among them are:

—consumer goods and the corresponding light industry sectors (footwear, leather, textiles, and clothing). A number of Italian enterprises have recently concluded contracts to deliver to USSR footwear and textile industries machinery and equipment amounting to several hundred billion lira. The Soviet Union is being transformed into the main market for the sale of equipment for the footwear industry;

—the agroindustrial sector. Here, Italy is primarily cooperating in the area of packaging and wrapping;

—machine building and the machine-tool industry. In 1987, Italy was the largest supplier of the USSR having outstripped even the FRG. The Soviet Union is the second market in importance for the sale of products from Italian enterprises in this branch.

In addition, if the price level for petroleum products does not decrease in 1989, the USSR will be able to increase its foreign currency assets by 20 percent. Correspondingly, the USSR will be able to purchase more goods, avoiding the worsening of its trade balance with the industrially developed countries.

During 1988, Italy moved from third place (after the FRG and Finland) to fifth place in the ranks of the USSR's trade partners because Japan and the United States passed it. Nevertheless, Italian business owners are confident that they will be able to return in the very near future to the positions they have lost. For example, the Fiat automobile company is conducting negotiations with Soviet representatives about constructing a new plant in the USSR which, it is assumed, will begin to produce mini-cars during the Nineties.

**List of Joint Ventures**

18250207b Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 37 Supplement Sep 89 p 8.

[Unattributed article: "List of Joint Enterprises with Italy Registered With the USSR Ministry of Finance"]

[Text]

**List of Joint Enterprises With Italy Registered in the USSR Ministry of Finance (on 1 June 1989)**

1.	29 October 87, No 11	SOVPLASTITAL, 29a Druzhby Narodov St., Tashkent 700115	Uzbytpashtik Scientific Production Association (78%)	Alma Roze Joint Stock Company, Italy (22%)	23.561 million rubles	Production of plastic consumer goods and souvenir items
2.	9 Dec 87, No 16	INTERKVARDO, 4 2d Novopodmoskiy Lane, Moscow 125130	MAI(40%), AKUS-Agroresurcy All-Union Scientific Research Center (35%)	Anitral Yutek, France (20%) and Delta Tretying, Italy (5%)	0.8 million rubles	Research and development to build and service problem reference sets for processing data and the development and export of programmed products
3.	27 January 88, No 29	SOVITALPROD-MASH, Volzhsk, Mari ASSR	Volzhskprod mash Production Association (73.344%)	Fata Yuropeyen Grup Spa, Italy (26.656%)	19.4 million rubles	Production of commercial cooling equipment

**List of Joint Enterprises With Italy Registered in the USSR Ministry of Finance (on 1 June 1989) (Continued)**

4.	12 Dec 88, No 45	INTERPROY-EKT, 58 Novoslobodskaya St, Moscow	Moskovskiy Machine-Tool Instrument Institute (51%)	RUIT, Italy (49%)	2.5 million rubles	Providing of engineering services
5.	25 May 88, No 50	SOVOKRIN, Ivanteyevka, Moscow Oblast	Main Administration for the Production of Experimental Elevator, Mill and Other Equipment (74.6%)	Okrin Spa, Italy (25.4%)	9.001 million rubles	Design and production of grain handling equipment
6.	03 June 88, No 52	BAKMIL, 10 2d Poperechnaya St., Baku 370029	Bakkonditsioner Production Association (72%)	Merloni Prodhetti Spa, Italy (28%)	7.250 million rubles	Production of electrical household equipment, engine manifolds, etc.
7.	8 Jul 88, No 66	SINION, 15 Ibragimova St., Moscow 105318	Giprokauchuk, Togliatti and Sintezkauchuk Production Association (total share is 60%)	Pressindustriya, Italy (40%)	0.25 million rubles	Scientific research work and development of chemical processes and mechanical equipment
8.	6 Oct 88, No 107	KAZAKHI-TALKARAKUL-KMK, 11 Neftebazovoye Highway, Chimkent 468022	Chimkentskiy Astrakhan Plant (70%)	Dzhisa, Italy (15%) and Dzhibi, Italy (15%)	5.0 million rubles	Processing and sale of Astrakhan sheep hides, sheepskin and other types of fur skins, raw materials, sewed finished items and their sale in the world and domestic markets
9.	27 Oct 88, No 113	ARLEKINO Italian Restaurant, 15 Druzhinnikovskaya St., Moscow	USSR Union of Cinematographers Kinotsentr VPTO (51%)	Italyanskiye maski, Italy (49%)	1.25 million rubles	Organization and joint operation of an Italian restaurant
10.	1 Nov 88, No 116	INFORM-PRAVO, 10 Druzhby St., Moscow	Moscow City Bar Association (25%) and Union of Scientific and Engineering Societies (25%)	Robert A. Viver, United States; Yaakko Leyto, Finland; and Sineno Finans SA, Italy (49%)	0.125 million rubles	Providing of assistance to foreign firms and joint organizations in concluding foreign trade deals, establishing SP, compiling legal documents, consulting, marketing, and advertising
11.	3 Nov 88, No 119	VELOR, Orel	Local industry territorial production associations (70%)	Gruppo Velco Instriale Spa, Italy (25%) and Adzhimpleks Ltd., Italy (5%)	5.0 million rubles	Organizing the production of ceramic tiles and their sale in the USSR and other countries
12.	29 Oct 88, No 141	SOVBUTITAL, Tobolsk, Tyumen Oblast	USSR Ministry of Petroleum and Gas Industry Tobolskiy Petrochemical Combine	Pressindustriya Spa, Italy, 30 (%)	38.267 million rubles	Production of synthetic rubber
13.	8 Dec 88, No 148	SAMARA KO, Togliatti, Kuybyshev Oblast 445680 and Povolzhskoye Experimental Production Association	Povolzhskoye Experimental Production Association (80%)	Chippel Interneshil Ltd, Italy (20%)	7.5 million rubles	Manufacturing of pigskin and the manufacturing of items from it

## List of Joint Enterprises With Italy Registered in the USSR Ministry of Finance (on 1 June 1989) (Continued)

14.	14 Dec 88, No 157	MODEN, 2 Vodnikov St., Moscow	USSR Ministry of Light Industry Tushinskaya Wool-Spinning Factory (70%)	Denoz, Italy (30%)	4.4 million rubles	Production and sale of high quality yarn
15.	26 Dec 88, No 174	INTERMEDSERVIS, Moscow	Inturist All-Union Joint-Stock Company (51%)	Dentalkoop, Hungarian People's Republic (44%) and Kolumbiya, Italy (5%)	0.108 million rubles	Providing of medical services to tourists and foreign citizens working in the USSR
16.	29 Dec 88, No 185	AITI, Tbilisi, Georgian SSR	USSR Ministry of Electrical Equipment Industry and Instrument Making Tbiliselektronprivod Scientific Production Association (45%) and USSR Ministry of Machine Tool and Tool Building Industry Ivan. Machine Tool Building Association (10%)	Ansaldo Sistemi Industriali Spa, Italy (15%) and Indramat GmbH, FRG (30%)	2.7 million rubles	Production of brushless complete electric motors, drives, components, and spare parts
17.	10 Jan 89, No 196	RAYFL-KRASNODAR, 64 Pavlova St., Krasnodar 350001	Krasnodarskoye Industrial and Trade Clothing Association (33%) and USSR Ministry of Light Industry Krasnodar Cotton Combine (33%)	Super Rayfl, Italy (34%)	1.5 million rubles	Production and sale of cotton and other cloth, clothing items and other products
18.	11 Jan 89, No 198	VALEO, Tilichiki Settlement, Olyutorskiy Rayon, Kamchatka Oblast 684000	Yunost Oblast Youth Association (15%), Kamchatka Komsomol Obkom, Donetsk Institute's integrated specialized medicine cooperative	Imar Spa, Italy (25%)	15.0 million U.S. dollars	Testing of internal organ acupuncture; production of medical equipment, instruments and preparations; training of doctors in the area of internal organ acupuncture; and the establishment of diagnostic treatment centers on Kamchatka
19.	11 Jan 89, No 200	RIDA, 185 Artema St., Donetsk 340004	Donetskiy Institute's Integrated Specialized Medicine Cooperative	Brital, Brazil (17%); A. Dzhamirze Femili Enterpryz, Australia (16%); and Imar, Italy (16%)	20.0 million U.S. dollars	Testing of scientific achievements in internal organ acupuncture; organizing the industrial production of medical equipment and preparations; teaching doctors methods for internal organ acupuncture treatment
20.	13 Jan 89, No 204	INTERAVTOKOM, 42 Volgogradskiy Prospect, Moscow 109316	USSR Ministry of Automotive and Agricultural Machine Building Moskvich Production Association (51%)	Komeks Spa, Italy (10%) and Interkom, Italy (39%)	0.05 million rubles	Commercial operations and ties for selling "Polivud" material and items made from it

List of Joint Enterprises With Italy Registered in the USSR Ministry of Finance (on 1 June 1989) (Continued)						
21.	17 Jan 89, No 208	SKORTEK, 6 Tsvetochnaya St., Leningrad	RSFSR Ministry of Light Industry's Leningrad Sko- rokhod Production Association (75%)	Teknomeyn Inzhi- niring, Italy (25%)	6.24 million rubles	Production of shoe soles and heels made from polymer materials
22.	6 Feb 89, No 237	KIRBIS, House No 40, Zatsupa St., Moscow	Moscow National Economic Institute imeni Plekhanov, RSFSR Ministry of Higher Educa- tion and USSR State Committee for Public Educa- tion (54.5%)	Economic Research Associa- tion of the Nomizma Joint- Stock Company, Italy (44.5%)	1.1 million rubles	Study of interna- tional experience in managing and training managers and specialists; providing of con- sulting services in the management area and foreign economic activity; conducting of tests by experts on designs; exchange of economic, sci- entific and tech- nical information; and coordination of the expansion of cooperation between enterprises and firms
23.	8 Feb 89, No 244	DERROS, House No 3, Moskovskaya St., Mineralnyye Vody, Stavropol Kray	USSR Ministry of the Construction Material Industry Krovlya i Polimery Produc- tion Association (80%)	Derivati Bitumi- nosi Ed Affini, Italy (20%)	0.6 million rubles	Production of bituminous polymer roofing and waterproofing material
24.	23 Feb 89, No 270	BORDIGASOYUZ, Moscow	Ekor Central Sci- entific Production Association and Print Cooperative (total share 40%); both—USSR Min- istry of the Radio Industry	Gruppo Bordiga, Italy (60%)	0.5 million rubles	Development and introduction of programmed sys- tems, organizing computer networks for information and computer ser- vices, assembling and installing starting and adjustment works; construction and reconstruction of buildings
25.	23 Feb 89, No 271	MILENA- INFORM, 34 Gri- boyedova Canal, Leningrad 191023	Aksioner Infor- mation Coopera- tive (60%)	Baykal, Italy (40%)	0.1 million rubles	Providing of infor- mation services on the domestic and foreign market sit- uation, engineering and the search for SP partners
26.	10 Mar 89, No 298	PRIMA, Moscow	Moscow Gorispolkom Main Administration for Housing and Engi- neering Services (49%)	Akua Spa, Italy (49%)	1.0 million rubles	Solving of ecolog- ical and urban facility problems

## List of Joint Enterprises With Italy Registered in the USSR Ministry of Finance (on 1 June 1989) (Continued)

27.	15 Mar 89, No305	TEKNOKULTURA, Moscow	State Academic Bolshoy Theater and KDS All Union Musical Association, State Tretyakov Gallery, State Museum of the Moscow Kremlin, State Hermitage, State Historical Museum, Ostankino Palace Museum for the Creative Work of Serfs, State Museum of Ceramics and the Kuskovo Farmstead, Kolomenskoye State Museum Preserve, State Central Theatrical Museum, State Museum Preserve in the city of Petrozavodsk, and State Museum Preserve in the city of Pushkin. All—USSR Ministry of Culture; RSFSR Ministry of Local Industry Gzhel Production Association (total share 50%)	Gruppo Borbiga Spa, Italy (50%)	1.0 million rubles	Organizing of artistic exhibits and tours, including commercial services; manufacturing of joint artistic items; development and introduction of new technological methods in the construction and restoration of memorials; and organizing the equipping of cultural institutions with modern technical systems
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**Romanian Coverage of Soviet Reforms 'Limited,'  
'Restrained'**

18070369 Riga SOVETSKAYA MOLODEZH in  
Russian 13 Sep 89 p 2

[Article by Aleksey Sidorov: "Romania and Perestroika in the USSR"]

[Text] Different strata of Romanian society are displaying exceptionally great interest in processes occurring in the Soviet Union today. But the reaction of the mass media is extremely restrained. It is pointed out in published press materials that Romania will not assume the road of political and economic transformations, that economic perestroika and democratization of social life in Romania had supposedly been completed around 10 years ago.

A critical attitude toward processes occurring in the USSR and in other socialist countries can be discerned in particular in the constant appeals to defend "the principles of socialist development" and "the principles of scientific communism" in their old, dogmatic interpretation. In his speech to the expanded November (1988) Plenum of the Romanian Communist Party Central Committee, which its participants adopted as "a fundamental document in preparation for the 14th Congress of the RKP (Romanian Communist Party)," Ceausescu asserted that "regulation of production, prices and so on cannot be left to the whims of chance or to the play of the market."

Romanian propagandists refer to processes in the Soviet Union such as introduction of the leasing contract, creation of cooperatives and transfer of certain implements of production to them, the leasing of enterprises by workers and so on as "a return to private ownership."

Another important aspect of the Romanian leadership's disapproval of activities in the USSR associated with democratization of the political system is the assessment given to the Communist Party's role in the present stage of socialist development. In accordance with the conception of the RKP, it is only in Romania that the principles of scientific communism have been consistently observed in socialist development. There is a need in this connection, N. Ceausescu declared, "for improving and strengthening the party's role as the leading political force, as the vital center of the entire nation, since the party bears, and must bear, the entire responsibility for implementation of its program."

At a meeting of the Political Executive Committee of the RKP Central Committee held on 6 January of this year, Prime Minister Dascalescu was subjected to sharp criticism by the RKP general secretary for his proposal to grant greater independence to enterprises in matters of planning production and the marketing of products with the purposes of raising the effectiveness of economic activity.

Ceausescu declared in particular that it is only through "rigid centralization of planning that a possibility is

created for yearly increases in the rate of industrial production." "In our society," he said, "bankruptcy of enterprises must never become an issue. The only issue that could possibly be raised is the bankruptcy of a leadership which is unable to manage the economy. In such cases we will not transfer enterprises to private individuals; we will turn their management over to others."

Typically the party apparatus is assigned monitoring, guiding and defining functions. This is precisely why the practice of combining party and state positions is prevalent in Romania. As a result of this approach to the economy's management, this process is dominated by dictatorial administrative methods, by voluntarism in the adoption of important decisions, and the woeful results are the present state of the Romanian national economy, the systematic inability to fulfill the plans for social and economic development by practically all industrial sectors, and the unceasing decline in the standard of living of the laborers.

Another topic of discussion that is closed in Romania is perestroika of international relations in the Soviet Union and the human rights issue in general.

The mass media have often asserted that the problem of national minorities was solved completely, conclusively and long ago, and equally so that the human rights problem does not exist. This is why all materials on this subject are perceived as interference in the country's internal affairs.

Of interest is the reaction of Romanian mass media to restructuring in the Soviet Union. In its reports from Moscow, the Adzherpres [not further identified] agency limits itself to protocol information. The newspapers, radio and television do not offer any commentaries of their own. All major events in the USSR of recent years—the 27th CPSU Congress, the 19th All-Union Party Conference, and equally so the USSR Congress of People's Deputies—went all but unnoticed. Moreover many press organs emphasize, in veiled terms or sometimes even directly, the inacceptability of perestroika to Romania.

As far as the first USSR Congress of People's Deputies is concerned, the press printed only brief reports on the debates that arose during it, while M. S. Gorbachev's report was so abbreviated that little could be understood from it. There was not a single line in the newspapers concerning the statements made by the deputies. This is explained by the fact that many fundamental issues discussed at the Congress are not acceptable to the leadership of Romania. I am referring primarily to spheres of Soviet perestroika such as introduction of economic reform, democratization of the political system, growth of the social activity of the people, the new interpretation of the tasks of the party apparatus, decentralization of control and planning, and introduction of the leasing contract into industry and agriculture.

All of this did not keep various circles of the Romanian public from viewing the Congress of USSR People's Deputies as the main political event of those days. Residents of Romania's eastern regions followed the meetings of the congress daily on rebroadcasts of Soviet radio and television. The democratic nature of the congress, the boldness and competency of the deputies and Gorbachev's readiness to discuss all issues were a real eye-opener for the Romanians.

It should be noted that Soviet radio and television have exceptionally great influence in the eastern regions of Romania. For practical purposes the residents of these regions watch Soviet television only, and they regularly listen to Moldavian and Moscow radio broadcasts in Romanian.

It was not a coincidence that the Romanian State Council recently held its first meeting after a long period of inactivity. It examined the problems of improving the work of the permanent commissions of the Romanian People's Council and their influence on all socioeconomic activity. The decision it adopted pointed out the need for intensifying surveillance over the work of the ministries and departments. Other issues which at first glance are in consonance with those discussed by the Congress of People's Deputies were examined as well. A meeting of the Political Executive Committee of the RKP Central Committee held on 2 June of this year made an extremely critical assessment of economic activities in the country. In it, N. Ceausescu gave an acutely critical speech.

### **Economic, Social Effect of U.S. Nicaragua Policy**

*18070345 Moscow ZA RUBEZHOM in Russian  
No 24, 9-15 Jun 89 pp 12-13*

[Article by Andrei Kamorin: "Nicaragua: Between War And Peace"]

[Text] When I arrived in Managua by plane, I could hear sporadic firing at night. My Nicaraguan acquaintances, with whom I shared my apprehensions, smiled and took me to the market. A few bold urchins were hawking firecrackers from their stands near the entrance - you lit up the cord and the cracker bangs or crackles. I told other Comrades about my mistake as a funny story. They nodded their heads knowingly, but made a point that if I had lived in Managua for a longer time, I would have been able to tell the difference easily between a fire-cracker bang and the gunfire, and that it is never too late to learn to do this...

The capital is relatively calm by and large now. The Nicaraguan government has extended the unilateral ceasefire once again recently. This means that if the "contras" observe it, the border with Honduras should stay quiet as well. Unfortunately, the "contras" continue their raids. The head of the Nicaraguan intelligence, Ricardo Roman, reported recently that they had launched over 400 attacks against different targets in the Republic's territory in the first few months of this year alone.

My first impressions of staying in the Nicaraguan capital remained as a symbol of what is happening in the country now - you can't say right away whether it is holiday fireworks or gunfire. On the one hand, the eight-year war that bled Nicaragua white has fizzled out; on the other hand, it is too early to speak about a truly peaceful life there. Neither war nor peace, but an indeterminate suspenseful lull after the battle. The fighting has shifted to the political field.

Nicaragua is craving peace and is doing everything it can to bring it about at last. The Republic is fully honoring the commitments it unilaterally undertook at the Salvadoran summit of five Central American heads of state in February of this year. At the meeting, the Nicaraguan government made a pledge to hold early elections before February 25, 1990, and to carry out democratization in the country. Together with other countries in the region, it signed an agreement to dissolve the "contras" units.

A total of 1,894 ex-Samoza guardsmen were released from jail recently, and the ban on opposition radio stations was lifted recently. Ten foreign Catholic clergymen, who were exiled for participating in the counter-revolutionary activities, were allowed to return to the country. Mass media legislation has been adopted. The National Assembly passed the electoral reform draft after a long and heated debate.

Under the reform, general elections are scheduled for February 25, 1990. The political parties and coalitions

who nominated their candidates will have equal access to the mass media, including radio and TV, to conduct the election campaign.

It should be noted that the opinion of the opposition and the experience of many countries of the world, those in Latin America first and foremost, were taken into account when the law was being drafted. The observers believe, therefore, that the opposition parties, hostile towards the government, have no grounds to claim that the electoral law reform allegedly "does not fully meet the interests of democracy."

No Central American country gives such freedom of action to the representatives of mass media as Nicaragua does, said D. Ortega. The opposition parties were given such freedom of action which they do not enjoy in other countries in the region.

The Republic proposed that other Central American countries consider a plan for demobilizing the "contras," with their voluntary repatriation or being stationed in third countries. It calls for establishing an international commission to monitor and further the process of disbanding counter-revolutionary units. The commission should include the UN and the OAS General Secretaries and also representatives of the UN High Commissioner for Refugees and of the International Red Cross. The plan should be implemented not later than three months after it has been signed. Forty-five days after the inception of the commission, it will accept weapons and other military equipment now in the possession of the members of the counter-revolutionary units. After the repatriation or restationing of the "contras" has been completed, the Nicaraguan government guarantees that it will issue, in the presence of representatives of an international commission, either documents guaranteeing all civil rights or passports to those former counter-revolutionaries who choose to go to third countries. The government is prepared to provide plots of land to those "contras" wishing to remain at home, give them the implements of labor and render other necessary assistance so that they can begin a peaceful life.

### **"Managua Is a Stubborn City"**

The calm is felt most intensely in the northern parts of Nicaragua, perhaps, where the main battles against the "contra" units were fought. But it can be easily felt in Managua as well. One can hear numerous and heated political discussions there, but war is rarely an issue. Nevertheless, it reminds people of itself all the time. It comes as a reminder in conversations punctuated with such ear- and heart-rendering remarks as "he perished at the very beginning..." or "he was killed quite recently..." It comes as a reminder when one catches the eye of boys selling bric-a-brac at intersections. Life without a father - an inevitable consequence of any war - makes them mature very fast. It comes as a reminder when one becomes subject to a thorough but polite search before entering any government office. It comes as a reminder



in the problems that the capital inherited from the distant and quite recent past.

Many of the people I talked to about Managua repeated unanimously, without prior agreement, that the city still gives you a feeling of having been "burned down" in a disaster, and therefore it is growing not like a capital but like a temporary camp providing shelter to the homeless. This comparison may sound too emotional, but one comes across the reminder of December 23, 1972, everywhere. The terrible earthquake that struck that day came to be known later on as the "Doomsday Rehearsal". It virtually wiped out what used to be Managua at that time.

The concrete downtown skeleton structures, which survived by a miracle, as well as vast empty spaces - the disaster obliterated not just houses but street names - prevent one from forgetting about that distant nightmare in the Nicaraguan capital. Signs in Managua are reminiscent of inscriptions on old pirate maps: "From where a gas station was, two blocks to the east and 30 steps up."

The city of one million people continues to live in the meantime. The factories are working, the markets are full of hustle and bustle and University students bury their heads in their lecture notes. This type of life outgrows temporary alternatives and requires a solid foundation. I'm talking with the alcade [mayor] of Managua, Carlos Carrion, about the difficulties involved in putting an end to the "temporary structures" and on how to overcome them.

"Managua is a stubborn city," says Carlos Carrion. "Its residents restored it three times over at the same place in less than a century, unwilling to yield to the elements. Perseverance and staunchness have become part of their personality. That is why the capital remains a political bulwark of the revolution regardless of all the difficulties, and herein lies the capstone of the social foundation of the Sandinista National Liberation Front. The city faces more than enough problems. Managua suffers from the same diseases that afflict Third World capitals: haphazard, uncontrolled growth, a dearth of the basic services and, the main thing, of the money to develop them. The government did a great deal to improve the situation in the first post-revolutionary years, and in a short span of time at that. Water pipes were laid down in many parts of the city and electric power was connected. But then the war put a tight squeeze of our resources.

"Managua never recovered from the 1972 earthquake. Considerable international aid that the country received at that time was pilfered by the Samozza regime,- the Mayor went on.-Today our housing shortage runs at 90 thousand apartments. As many as 12 thousand dwellings have been built in the city in the past five years, which is more than in the 40-odd years of the Samozza regime but significantly below the demand.

"The city has twice its normal population. According to estimates, 450,000 people, not one million, could live

under normal conditions in today's Managua. The natural population growth is quite high and the migration is significant as well. This happens due to centralization, since the capital accounts for 60 percent of the national industry, 80 percent of the institutions of higher learning, it has 7 out of the 13 major hospitals in the country, to say nothing about government offices. The war devastated rural areas first of all, causing a new wave of migration.

"You must have seen the blocks of ramshackle houses built of boards and plywood. Unfortunately, they increasingly define the face of the capital,- says C. Carrion, continuing his monologue.- It is sprawling because of them. If we fail to slow down their growth and start building more compact blocks of flats, Managua will take over the neighboring towns of Masayu and Grenada early next century to become a huge blot on the map - chaotic and deprived of basic amenities."

"What is the solution?"

"It may sound paradoxical, but the future of Managua lies outside of it. We conducted studies and singled out a couple of the outlying towns that could 'absorb' in fact part of the population and relieve the capital. But considerable work has to be done there to accomplish this. It would make more sense strategically to invest money in creating alternatives to Managua's growth rather than sustaining the capital. But the city will be placed on the brink of collapse if we stop sustaining it. We have to deal daily with the ruin of the road network and the impromptu dumps that suffocate the city. The housing problem brooks no delay either, since it is already assuming political overtones. But we cannot resort to the industrialized methods of housing construction because the Sword of Damocles in the form of earthquakes is hanging over the city, and it is extremely expensive to build quake-proof buildings.

"The local taxes provide us with less than one third of the amount required to implement the most urgent programs. We cannot count on the state budget much either, considering its present deficit."

### The Price of American Pressure

The discussion about the capital proceeded to the country as a whole. I especially remember the words of the mayor of Managua which help to explain a great deal in Nicaragua.

"It is hard to talk about victory in our situation. The war is ending in a draw for all practical purposes. We've liquidated the 'contras' as a military force and a political alternative to the SNLF [Sandinista National Liberation Front]. But at what price? People say: 'Reagan has gone, the revolution stays!' This is true, but we should realize that we remain wounded and ruined. It is absolutely clear that the US and the opposition will follow the strategy of trying to convince the population to take the SNLF to account for the dire economic situation."

It is difficult to comment as yet on the strategy of the present US administration towards Nicaragua. Unlike the oft-repeated and widely advertised "Reagan doctrine", the "Bush doctrine" looks like an unfinished mosaic reflecting positions of various issues. After the bipartisan agreement reached by the U.S. Congress which ended in granting another portion of "humanitarian" aid to the tune of almost \$50 million to the Nicaraguan counterrevolutionaries, it became evident that the decision made by the five Central American presidents in Salvador to demobilize the "contras" does not sit well with the White House. The US is definitely determined to keep their units in more or less combat readiness, as a "big stick" against the Sandinistas, so to speak.

President G. Bush announced the extension of the economic sanctions against Nicaragua recently which had been introduced by President Reagan in May 1985. They were to have expired on May 1. Contrary to the obvious facts, Bush declared that "the policies and actions of the Nicaraguan government continue to pose an immediate threat to US national security and foreign policy."

As far as the ways to resolve the Central American crisis are concerned, the Bush administration has limited itself to general declarations so far. Many things still remain unclear, but the history of diplomacy has many instances when "the policy of no policy" served to hide definite intentions.

The Nicaraguans argue a great deal about these intentions today. I came across different versions of these forecasts. What is interesting is that the simplest alternative, under which the US just leaves Nicaragua in peace, has never been broached in these conversations. Never!

The overwhelming majority of predictions have economy as the common denominator. One of the principles behind the US theory of "low intensity conflicts" says that the "Third World" revolutionary governments should be put under so much pressure that the price they pay for staying in power prevents them from exporting the revolution. The US administration has never been able to prove the Sandinistas' intention to export the revolution, but the price of US pressure turned out to be very high for Nicaragua.

The eight years of war took a toll of almost 30,000 lives of Nicaraguan citizens and caused \$12 billion in damages. But this is a direct consequence. How can one evaluate the outcome of mass movement to the cities? Entire agricultural areas have become depopulated following atrocities committed by the "contras", and the production of food and other materials was suspended, including that of export produce. The urban unemployment became a more pressing problem, while the rural areas experienced a shortage of workers. In many places, the "new virgin ground" has to be broken again now.

The inflation eating away at an increasing part of the population's real earnings changes the patriarchal relationship in the Nicaraguan families, where the man was the traditional breadwinner while the woman minded the home. Today women seek to earn a living any way they can to supplement the head of the household's income up to the subsistence level - they make corn tortillas or other simple food for sale, and they peddle bric-a-brac. Children run errands for their mothers or start their own "business," watching cars, say, in parking lots for a few coins. It looks as though more than one generation of Nicaraguans will have to liquidate the long-lasting consequences of the crisis caused by the aggression.

We are not speaking about a "catastrophe", of course, the way the situation is sometimes presented in the Western press. Supplies have stabilized, and food rationing was abolished last year. Prices are rising fast, at a significant clip, but the capital's enormous and picturesque markets have just as many customers. Compared to the pre-revolutionary period, the child mortality rate has dropped by more than double, which is hard to achieve, one must agree, under conditions of "mass hunger."

The crisis has caused new social problems, however. According to the main directorate of the Nicaraguan police, the crime rate increased by 28 percent in the country in 1988. It is hard to fight, since the war has flooded Nicaragua with unregistered arms and too many people know how to use them. The unemployed and the peasants who came to the cities form fertile social ground for higher crime rates.

### Economy Is the Main Front

Does this mean that the war is to blame for all the troubles? Francisco Lopez, a well-known Nicaraguan economist and sociologist, says: "The war is the main but not the only cause of all the crisis phenomena." You should remember that the revolution inherited the economic structure of a backward, dependent capitalism. In sports vernacular, Nicaragua had a "bronze medal" for backwardness in Latin America, with only Haiti and Honduras being poorer. The revolutionary power tried to abolish this historical backwardness in a short span of time. The early reforms, especially the social ones, raised high expectations among the people. Conditions changed when the war started. The unfavorable market situation, primarily with regard to the sugar, coffee and cotton exports, our main export commodities, aggravated the overall situation. Managerial mistakes were made too - running ahead of ourselves in granting too generous loans against tight resources, making large investments in large-scale projects with no return in the near future... Hurricane Joan added the last drop. According to the UN Economic Commission for Latin America and the Caribbean, it caused \$840 million in damages, which is equivalent to three years' worth of Nicaraguan exports, or 40 percent of its gross national product.

The economy is the main frontline for upholding the revolutionary Nicaragua of today. The battle being waged over the economy is as exhausting and complicated as the one we fought on the battlefield. The government is taking strong steps to curb inflation, which are paying off already. The country's vice president, Serjio Ramirez, said at a recent meeting with journalists that in April inflation stood at 12.3 percent, a significant drop if we recall that only last December the inflation was galloping, peaking at 130 percent. The government is determined to do its utmost to curb it further. To achieve this goal, it will continue the policy of tight money supply and reduce state spending (for example, the defense and security budgets have been cut by one third). The fixed interest rates introduced to stimulate accumulation are also bearing fruit - bank deposits have grown, allowing the government to make loans without printing more money.

Many hopes are pinned on the changes following the declaration of peace. Opinions differ on the issue, however. During the intermission between sessions of the National Assembly, I had a talk with Serjio Torres Oregario, a representative of the Conservative party, the second largest parliamentary force after the SNLF.

"The demilitarization of the country is an absolute necessity," he said.

However, it has its inner contradictions. Not a single new factory has been built in Nicaragua in the past nine years. The economy cannot absorb even two percent of the demobilized people following the onset of peace. The ex-soldiers are looking for jobs, but neither the government nor the private sector has them. We are already confronted with gangs that plan their raids employing the most sophisticated military tactics. Demobilization will be a painful process, and I am afraid we may find ourselves on the verge of losing control over the situation in society.

It appears that these words by an opposition leader contain quite a bit of subjectivity and exaggeration. Would one really want to protract the war in anticipation of the difficulties caused by transition to peaceful life? What attracts attention, however, is the readiness of some of the conservatives and other parties in parliament, where opposition has 35 seats out of 96, to discuss problems faced by the country and to search for a compromise with the SNLF.

The country has another opposition, however: the exparliamentary, the one that boycotted the 1984 elections. It professes entirely different views on the most pressing problems facing the country. The Supreme Council of Private Enterprise, COSEP, remains the backbone of the entire opposition.

Private owners represent a serious force in Nicaragua. COSEP's six chambers unite the owners of agricultural estates, industrial plants, artisan shops and construction companies. They also include the merchant guilds and the professional associations of doctors, economists, and

engineers. It has a collective membership through association, but according to the COSEP leadership, the organization wields influence over about 150,000 people. The private sector accounts for 35 percent of the means of production against the state's 65 percent. However, their share of production is the reverse - 65 percent versus 35 percent.

In Managua, I had a chance to talk with Hilberto Kaudra, the COSEP Chairman. When I began the conversation with the 54-year old engineer, the owner of a small construction company who is vested with the right to act as a spokesman for the entire private sector, my objective was to find out how Nicaraguan business people see ways of ending the crisis situation in economics. Unfortunately, we did not have a dialogue.

In a polite but persistent manner, my interlocutor redirected the conversation from economics towards politics, virtually gloating over the difficulties experienced by the SNLF government and the mistakes it made. Every sentence was charged with irreconcilable rejection of Sandinista power. On many occasions the SNLF leaders pointed themselves to the shortcomings and the errors they committed at different stages. But constructive criticism is one thing, while vehement castigation tolerating no objections is quite another.

To my persistent attempts to find out about the COSEP's program of ending the crisis, Kaudra would say again and again: "It can be only a political solution. We're asking for no currency or tax breaks, but just for a policy change. The main problem confronting the country is lack of trust and no economic reform can change this."

The same message constantly runs through "La Prensa", the newspaper that acts as the main mouthpiece of the irreconcilable part of the opposition. "Let the Sandinistas go and everything will settle down on its own".

"These gentlemen will be able to think things over and come up with their own version of the program of national redemption only after they see the US losing interest in them," says the Mayor of Managua, Carlos Carrion. "As long as the opposition keeps waiting for the power to pass down to them as a gift, we cannot expect constructive criticism."

Alas. Moreover, the Bush Administration seems to be changing its tactics having realized that the Reagan's "contras" project had suffered a strategic fiasco. It seeks to overthrow the Sandinista government not with arms but with the aid of ballots, especially since President Ortega officially announced that the SNLF will honor the election results, whatever the outcome. A pitched battle lies ahead.

Nicaragua has dozens of parties, organizations and their associations of the most diverse leanings. But do not think that factionalism is the biggest weakness of the anti-Sandinista forces. More importantly, they lack a positive program which was replaced until now with an outright criticism of direct calumny of the SNLF.

This record became apparent during the recent Guatemala conference attended by the Contra leaders and representative of Nicaragua's 14 opposition parties. Although the participants were of the most diverse ilk, to put it mildly, they succeeded, according to the reports of news services, in reaching an agreement described by Daniel Ortega as "the death pact". Its goal is to forge a single election bloc to defeat the Sandinistas. The Guatemala meeting confirmed what the SNLF said long ago, that the "irreconcilable" internal opposition has always acted as a political wing of the counterrevolutionary army. This now explicit alliance, which used to be implicit, has the same program of abolishing the Sandinista rule.

The agreement is a must for its participants for technical reasons as well. On the one hand, the "contras" cannot but realize that they need politicians as a cover, at the outset at least, who have not discredited themselves completely by being involved in the eight-year war of terror. On the other hand, by aligning themselves with the mercenaries, the opposition hopes to bypass the law on foreign funding passed by the National Assembly last October.

This was a dramatic moment in the country's political chronicle. Last summer, the US Congress approved \$17.2 million in aid to the children, the victims of the war in Nicaragua. Washington put the money in the custody of Cardinal Obando-y-Bravo, known for his rightist views and his ties with the "irreconcilable". This was in fact a humanitarian propaganda campaign intended to benefit the opposition. It was pinpointed because Nicaragua needed the money badly. According to official data, 458 children perished, 503 were crippled and 1542 were wounded in the country during the war years. Fifty thousand young Nicaraguan youngsters found themselves homeless. The government is doing its best to alleviate their plight, but its resources are limited.

Although Nicaragua experiences many shortages, it does not experience a deficit of dignity and pride. The Nicaraguans qualified as immoral the aid provided to the victims of the war by those who organized it. The Republican parliament passed the law which makes the reception of funds provided by the US government tantamount to high treason and cause for four to 12 years of imprisonment plus the confiscation of property. The flow of dollars into the country from abroad to finance the internal opposition dried up.

Now that the SNLF government's commitment to allow the "contra" leaders to conduct a political struggle is becoming a reality, the "death pact" participants seem to count on receiving considerable funds through a third party to finance the election campaign.

An unexpected mutual compromise and a desire to let bygones be bygones among the participants of the anti-Sandinista bloc are quite understandable. The opposition cannot but realize that given its condition, the struggle against the SNLF at the voting booths is a task next to impossible.

### **Sandinistas' Principled Platform**

The he SNLF is approaching the elections without changing its principled platform formulated back during the struggle against the Somoza tyranny. It provides for a mixed economy, pluralism in the country's internal life and nonalignment in the world arena.

Commenting on the situation, Thomas Borje, member of the SNLF National leadership and the Republic's Minister of Internal Affairs, said in a recent interview:

"Even the polls conducted by the rightist parties show that the Sandinista front commands a majority. It is the majority that sways the vote. In Nicaragua's case, we deal not only with the numerical advantage, but with the ability to mobilize society. The SNLF both proved its ability to rally all the people around itself and to inculcate a high level of political awareness and activism among its members. On the other hand, the mere fact of being in power gives the Front an edge, as it would to any ruling party."

Borje's words go beyond the election commentary. The Sandinista rule can be criticized, and the Front is open to constructive criticism. It should be remembered, however, that the SNLF took the responsibility for the country's future during the hardest times, when the war upset many plans and development programs and overshadowed the results of many social reforms. Despite the monstrosity of strong pressure, Nicaragua upheld its right to follow its own road, without submitting to diktat. This took a heavy toll from the country whose citizens used to measure their history with such bitter landmarks as the landings of US marines.

Today, the Sandinistas are getting ready to uphold their revolution during the elections with as much determination and endurance as they did on the battlefield. Unity, responsibility and an ability to work amid the masses are their weapons.

True, the country is passing through many hardships. But according to Carlos Carrion, "the problems and difficulties cannot deprive a man of the ability to dream, and make future plans." I was greatly impressed by his enthusiasm as he was telling me about the plans for the capital's development.

"First and foremost, the city needs a center - a political, cultural and architectural center. In my opinion, it should coincide with the historical nucleus of the city where we intend to save everything that remained intact. I'm dreaming of a capital where parks and public gardens occupy at least 10 percent of its territory. There is a great need for a new system of urban transport using trolley-buses or other cheap and ecologically safe means of transportation. Once we mention ecology, which we cannot deal with now due to the lack of resources, we should keep in mind Lake Managua. It is not just a city landmark, but a source of food and a source of riches which we are destroying because of our poverty. The absence of purification facilities is ruining the lake. It still has self-purification resources, but they are running out. Once it was a favorite strolling spot for the townsfolk. We had an embankment there. Will it reappear? We are working to make our dreams come true. Managua-Havana

### Overcoming Economic Deficiencies, Social Resistance in China

18250206 Moscow NARODY AZII I AFRIKI in Russian No 2, Mar-Apr 89 pp 80-89

[Article by E.S. Kulpin under the rubric "Socialism in the Orient": "Scarcity and Resistance: Ways of Overcoming Them in Chinese Restructuring"]

[Text] "...*The Great Cultural Revolution, which lasted ten years, was an unheard-of misfortune... A multitude of strange opinions appeared in those years. They called for reconciliation with poverty and backwardness, they said that a poor and wretched socialism and communism were better than a rich and abundant capitalism. The 'Gang of Four' practiced namely that. Where did they get this wretched socialism and communism? The ideal of Marxism is communism, a society in which the principle of 'from each according to his abilities, to each according to his needs' is implemented. Can we really implement this principle under conditions where the productive forces have not reached a high level of development and material goods are not flowing at full force?*"<sup>1</sup>

The achievements of Chinese economic reform are well known to the general reader as well as to specialists today. We will thus move on immediately to a consideration of two specific problems associated with it. The first: how were they able—over the course of one five-year plan (1980-85)—to solve the problem of acute shortages of foodstuffs, consumer goods and housing in the PRC along with a rise in the living standards of the workers in the briefest possible time?<sup>2</sup> The second: how were they able to make the will, energy and knowledge of those social segments of the village which, proceeding from their objective social interests, should have been offering the most resistance to restructuring and, possibly, trying to bury it, more active and to direct them toward the goals of restructuring?

We will first of all elaborate concepts. Although they speak of "economic reform" in China as before, having in mind all of the transformations pursued up until recently (until the reform of the political structure was begun), this process has been of a comprehensive nature since the very beginning. Deng Xiaoping—"the generator of Chinese reform," as the General Secretary of the CCP Central Committee, Zhao Ziyang, calls him—has emphasized that since the 3rd Plenary Session of the 11th Convocation of the CCP Central Committee, which was held 18-22 Dec 78, the CCP "has restored correct economic, political, cultural and other principles,"<sup>3</sup> of which "the most important for domestic politics are two of these principles: the development of political democracy and economic reform."<sup>4</sup> In other words, a course has been taken in the PRC since 1978 that is analogous to the one that has been called restructuring here in our country.

The number of periodicals and their circulation increased steadily in the first stage of bringing this policy to life, and a multitude of sharp and candid analytical

materials appeared in the press in which negative phenomena in society were illuminated, their origins analyzed and various solutions proposed. Glasnost as an element of the democratization of society and the formation of a law-governed state in China effectively began with the arrest of the initiators of the Cultural Revolution—the "Gang of Four"—in October of 1976, although the restructuring was actually launched after the aforementioned 3rd Plenary Session.<sup>5</sup>

What in China is in need of restructuring? As in our country, a great deal, but everything can ultimately be reduced to two principal elements according to which a break with socialist relations or the return to them is defined: the nature of the interaction between state and society, and among the main, leading classes of society. The state in the form of an administrative-command apparatus, in pre-restructuring China, stood almost uncontrolled over society.<sup>6</sup> Neither society overall nor any single most progressive class in it was able to control the state. It was namely the high degree of independence and freedom of the state from society that was the chief precondition for both mass repressions, the atmosphere of fear and lies and many other negative phenomena in our country during the era of Stalinism and stagnation, and of such a clearly antisocial and anti-democratic movement as the Cultural Revolution in China.<sup>7</sup>

One consequence of resolving the dilemma of "the state for society or society for the state" in favor of the latter, as the history of both of our countries shows, is political and economic inequality of the basic classes of society, as well as all of the multitude of social segments and groups<sup>8</sup> along with an absence of normal economic relations between the city and the village and the working class and the peasantry. Another consequence is a chronic skewing in the correlations between accumulation and consumption in favor of accumulation, between light and heavy industry in favor of heavy, and between industry and agriculture in favor of industry. This skewing could perhaps be substantiated politically,<sup>9</sup> but not economically.<sup>10</sup> This skewing also requires sacrificing one or several generations of workers on the social plane.

A third consequence (or more precisely, a consequence of the consequences) is scarcity in the economy. Changes in the normal economic proportions cause the deformation of natural economic ratios and social relations and the appearance of the particular relations typical of a shortage economy. But the socio-economic system, even in the face of unnatural relations, remains alive, since the people and society physically exist. Such a system is similar to a living but ill person whose needs, reactions and even sense of life are distorted.

These distortions, which in the PRC followed a brief stage of relative prosperity after the conclusion of a period of rehabilitation in 1952, fostered the appearance of a most acute shortage of food<sup>11</sup> and chains of cause-and-effect. Growth in the number of jobs in the city in particular not incidentally came to be determined by the

volume of food production in the country and the opportunities for concentrating stores of it in the hands of the state. After good years the growth rate of industry was significantly higher, and more new jobs were created—an indispensable condition for extensive growth in the economy—while after poor harvests, new jobs could not be created at all, while the surplus manpower (potential and functional)—the graduate of schools (*hongweibing*) and the young workers (*zaofan*)—were sent forcibly into the villages. The PRC strove at the same time to compensate for the shortages created by the distortions and the fundamental digressions from normal economic relations through an intensification of work on administrative and bureaucratic control in the village and the city.<sup>12</sup>

When there is an acute shortage of foodstuffs, the levers of economic development in the PRC are in the village and not in the city, in agriculture and not in industry, in the hands of the peasantry and not the working class. Whence it follows that the economic initiative of changes should now have proceeded from the village and not from the city, but the failure or success of the initiative came to depend on whether the city supported it, whether its economic potential gave rise to a climate of an absence of scarcity and accessibility of consumer goods and tools and capital goods for production, notwithstanding the many years' dominion of misshapen economic priorities. The situation in the PRC in the 1970s required (as in the RSFSR in the 1920s) that the village be compensated for its efforts. There were no alternatives to this requirement: otherwise the village would have no incentive. The income of the peasant should not be several times less than that of the city resident,<sup>13</sup> but should rather gradually catch up to or surpass the income of manual and office workers.

What could be used under these conditions as guidance for action from the Leninist ideas of the era of transition from food requisitioning to food taxation in kind? Their spirit and the main sense of them, not specific ways and methods of achieving the goal. The specific measures should not only have been different with the precise following of Leninist thought, it is not ruled out that they could be directly counter to those that were implemented in our country in the 1920s.

How did the PRC leadership try to solve the key problem of food shortages before restructuring? Basically the same way as in the USSR: give the towns more machinery, fertilizer etc. The quantity of tractors in 1978 grew by 38 times compared to 1957 (the final year of the 1st Five-Year Plan), while the amount of chemical fertilizers used increased some 24 times. The cost of fixed capital in agricultural production was 4.5 times the 1957 level in 1978. But the concrete results of these efforts, as here, were not very impressive: labor productivity calculated according to the cost of gross output only gradually caught up to and surpassed the level of the 1st Five-Year Plan in the 4th Five-Year Plan, while labor productivity as calculated according to the grain harvest—the principal food product reflecting the state of

all of the country's agriculture—reached the level of the 1st Five-Year Plan only in 1978.<sup>14</sup> The Chinese, in order to supply the industrial workforce and the state apparatus with food, did the same thing we did in the 1960s: they satisfied the needs of the cities for food grains some 40 percent through imports. The level of consumption dropped gradually but steadily in the village in the meantime. The consumption of food grains per capita for the rural population dropped by 5.9 percent, edible oils by 43.2 percent and cotton fabrics by 5.7 percent from 1957 through 1978.<sup>15</sup> That did not in general happen here: we procured foodstuffs and consumer goods abroad both for the city and the village, notwithstanding the existence of privileged regions and agencies.

The first effective step in solving the problem of shortages was seemingly far removed from it. It was aimed directly at correcting the anti-popular and anti-socialist resolution of the dilemma of "society for the state or the state for society." The issue is the removal of labels, i.e. the equating of all—individuals and social segments—in civil rights. A partial affirmation of one of the elements of bourgeois law—equality of opportunity—occurred thereby. Deng Xiaoping said that "The first thing we must think about is the necessity of defending socialism. But if it is to be defended, we must first and foremost rid it of poverty and backwardness..."<sup>16</sup> "Consequently, in constructing socialism, we must without fail develop productive forces. Poverty is not socialism. It goes without saying that we will adhere firmly to socialism. But in order to continue the construction of a socialism that would have advantages over capitalism, we must first and foremost build a socialism free of poverty."<sup>17</sup>

Many more quotations could be cited, and they all express the same fundamental conviction. Their profound sense is a rejection of sacrifice and all that is associated with it. And it is associated first and foremost with violence. Sacrifice contradicts the basic desire characteristic of man for a comfortable existence<sup>18</sup> and, possibly, the intuitive understanding of its economic expediency and political amorality.<sup>19</sup> The experience of many countries testifies to the fact that sacrifice can only be foisted through violence, dismembering society and instituting a spirit of hostility, suspiciousness, inequality and informing.<sup>20</sup> And on the contrary, the first precondition for the rapid development of productive forces and freedom from poverty is a cleansing of the moral and psychological atmosphere, the establishment of genuine equality among all members of society and their association with the aim of harmonious and humane development. The consolidation of a renewed moral and psychological background in the future now depends on the consistency, rapidity and depth of the socio-economic transformations. One enormous advantage of Chinese society over ours in the matter of restructuring is the fact that in China restructuring began immediately after a change in the moral and psychological atmosphere, as it were affirming and consolidating that change. In our country the restructuring begun by N.S. Khrushchev was not completed. We stopped halfway, as it were, and that

fostered stagnation in all spheres of life. Today we are forced to begin with what was not finished in the 1960s. The generations have changed since that time. The new younger generation does not have that charge, that thirst for change that the prior one had. All adult citizens of the PRC had that charge by the beginning of the 1980s.

Obstacles on the path of solving one of the main problems—the food problem—were revealed by the start of restructuring in the PRC in the course of debate: disproportions and the low procurement prices for agricultural output connected with them, making production barely profitable or altogether unprofitable, along with inefficient management. The correction of the disproportions and the raising of prices, as both our own and the Chinese experience have shown, are essential but insufficient conditions for rapid growth in labor productivity in agriculture. As Professor V. Kosov postulates, “a most important element of the strategy of acceleration is the cutoff of inefficiently operating types of production, in which administrative management methods are simply impotent. The experience of a multitude of reorganizations in agriculture visibly confirms this.”<sup>21</sup> In other words, unwarranted leveling between efficiently and inefficiently operating types of production, as well as, I might add, in the pay of individual laborers, in Kosov’s opinion, is the chief impediment that the administrative apparatus cannot surmount. Why are administrative methods unable to get rid of the parasites? The answer is simple and complicated at the same time. All of our experience testifies to its complexity. But it is simple in its essence. The distribution of goods has been, for those who do not produce them, the foundation of power and social prestige since time immemorial. The distribution, naturally, does not occur according to the results of labor. Additional people above the laborers themselves are unnecessary for that, they could do that themselves through a free market. As long as distribution does not occur according to the results of labor, then it does not in and of itself facilitate economic activeness. And that is not a 20th-century discovery. Max Weber, analyzing economic relations in the village, concludes that “The oppression of private economic initiative by a bureaucracy is not a specific feature of the ancient world. Any bureaucracy can have the tendency to strive toward such actions via an expansion of its sphere.”<sup>22</sup> As concerns our bureaucracy, and the more so the Chinese, its sphere had possibly reached its physical limit.

Leadership of agricultural operations began to be accomplished on the scale of the uyezd or even the province (our analogues in population would be the oblast and union republic) after the formation of the commune system. The state apparatus, as it were, “grew into” the social-production fabric of the village. This happened in the following manner. Before the communes the officials were outside the environment of the peasant.<sup>23</sup> Their task was to ensure the pursuit of tax policy and obligatory procurements. Disturbances arose in the villages in reply to the policy of extracting surplus, and some essential, output at reduced prices.<sup>24</sup>

The essence of state policy did not change after cooperation, but its object became the collectives rather than individual peasants. The creation of communes and the incorporation of the practice of designating their leaders by the superior administrative and party organizations as it were introduced the state officials into the peasant collectives and transformed them from a force clearly opposing the interests of the peasants into a force that outwardly met their interests. Over the course of the 1960s and 1970s the leading bodies of not only the communes, but also the teams were not elected, but rather named “from above.” The leaders or “cadre workers” (*ganbu*) from not only the uyezd, rayon and provincial levels, but even the communal level, as a rule are (for the latter, were) civil servants. They depended entirely on the state in a material regard, receiving their pay and enjoying the rights and privileges associated with their official positions. The interests of their life’s careers required of them the unwavering fulfillment of the directives of higher officialdom, while influence on the part of the peasants was limited to moral factors.

Such phenomena are clearly not a specific feature of the PRC. The particular, perhaps, consists only of the large size of the agricultural apparatus: in a country where 80-85 percent of the population resided in the village in the 1960s-1980s, one out of ten commune workers was a superior.<sup>25</sup>

The gigantic escalation of the apparatus in the village (a unique phenomenon in the history of China) allowed the authorities not only to control strictly all food and social processes, but also to concentrate the workforce for “decisive battles.” The state organs effectively demanded no scientific, technical or economic substantiation for operations. Enormous amounts of manpower, funding and materials were wasted every year. The land on which the “great armies” of recruited peasants were operating were transformed into bare fields on which nothing could grow for several years.<sup>26</sup> They were oriented toward the one-track cultivation of grains in spite of the experience and common sense of the village. The ecological equilibrium in the country overall was disrupted, the production levels of grains as well as “non-basic: crops declined, the structure and quality of peasant nourishment grew worse, the economic potential of the teams and the standard of living of the peasants dropped and the specific social nature of the *ganbu* took shape in the face of such “management.” The head of a farm in Gansu Province, Zhang Naixun, described the latter process thus: the problem is now that honest and direct official do not remain, they are replaced with clock-punchers who “know how to talk but don’t know how to conduct business.”<sup>27</sup>

The incompetence of the apparatus in a production regard was supplemented by the unsatisfactory nature of its performance of its second important function—the social one. The latter was in essence accomplished in simple fashion: the output remaining to the village was divided among the peasants equally. Such distribution facilitated the dissemination of the psychology of the



three "all the same" (work a lot or a little, poorly or well, work or just make it look like it—it's all the same, you'll get the same). But the unwarranted leveling was not universal. The *ganbu* themselves took a share of the output produced by the village that was out of proportion to their labor (or management) contribution. This naturally evoked the dissatisfaction of the peasants. The "banquet mania of the *ganbu*," perceived by the hungry village as simple gluttony, was especially hateful to them.<sup>28</sup>

The economic and social problems of the PRC had reached an apogee by the middle of the 1970s. The death of Mao Zedong and the arrest of the "Gang of Four," however, did not immediately lead to fundamental shifts in agrarian policy. Grandiose plans for the accelerated mechanization of agriculture and the transfer of ownership of fixed production capital from the teams to the communes that were to have led to a reinforcement of the authority of the state apparatus over the village were typical of 1975-78. The main slogans remained unchanged: "Class struggle is the decisive link" and "Learn from Dazhai." Dazhai was the name of a production team in which the policy of subordinating society to the state was focused. The diminishment of the interests of the collective in favor of the treasury as expressed in non-equivalent exchange: give less for labor than it costs, here it was a maximum. The limits of caprice of administrative, planning and financial organs were reached. The foundation of the power of the bureaucracy—the right to dispose of the peasant and the product created by his labor—was not limited by anything. The Dazhai member gave everything he was able, but only his minimal requirements were satisfied.

Changes in CCP policy in 1978 (and partly in 1977) were a first step toward new relations. These were the establishment of stable targets reckoned for five years for deliveries of grains and other important crops, an orientation toward multi-sector farming, the development of collective subsidiary fields, the restoration of private plots, the resurrection of standards setting and pay according to labor, the pursuit of a campaign for reducing the "excessive burden" of the peasant and the public condemnation of willfulness, thievery, bribetaking and corruption among the rural *ganbu*. The innovations got a hostile reception from the *ganbu*, were not universally implemented and did not have a great impact.

In 1979-80 the CCP rejected the principle of "class struggle is the decisive link" and the "learn from Dazhai" movement and pursued the rehabilitation of former "estate owners," "rich peasants" and victims of political campaigns. The state raised procurement prices, reduced the size of taxes and compulsory deliveries of agricultural output for poorly developed regions, freed the most backward regions of them altogether, restored private plots, and allowed the peasants to engage in cottage trades at home and to sell their excess output at the newly restored collective markets. Public criticism of the results and experience of the past was

made in society along with a search for new forms of organization for production, labor and its wages.

Give land to the peasant, grant him the opportunity of farming independently, rid him of the burden of the upkeep of an apparatus, make income directly dependent on the results of labor—such were basically the demands of the PRC peasantry at the end of the 1970s. The state permitted a portion of the peasantry, as an experiment, to convert to the household contract. Competent and determined people were needed for a broad-scale experiment and a radical break with the socioeconomic organization of the village. In the PRC they could only be the leaders of the large administrative entities. Two first secretaries of provincial party committees decided on drastic changes. Today their names are known not only in China but around the world. They are Zhao Ziyang, then heading the Sichuan party organization and today the General Secretary of the CCP Central Committee, and Wan Li from Anhuoya, today chairman of the Standing Committee of the Assembly of People's Deputies. The successes in Sichuan, the most populous and hungry province of China, were especially impressive. (One out of ten Chinese lives in Sichuan, where 1/16 of the cultivable area of the country's land is located.) Here the food problem was solved after the disbanding of the communes. An analogous situation also took shape in Anhuoya. The example of the two provinces acted as a powerful catalyst on the Chinese village in the process of dissolving the communes "from below."

Work was done in 1981-82 on eliminating the "lack of personal responsibility" for the labor contribution of the individual worker (the methods of the "big bonfire" or the "big pile") and unwarranted leveling (the "big pot" or the "iron dish of rice"). The establishment of a direct dependence between the results of production and the income of the peasants gave rise to new forms of peasant organization, and the household contract became widespread: just a little over 1 percent of production teams had converted to it at the beginning of 1980, over 15 percent at the end of 1980, over 45 percent at the end of 1981 and 78 at the beginning of 1983. Agreement to a contract was made by a peasant family (or, more rarely, individual peasants, groups of peasants or collectives) with an administrative-production association, the volost government and—through them—with the state.

The spread of the household contract in the Chinese village, the elimination of the rural communes and the creation of volost governments that were completed in 1984 were important milestones of the transformation of social relations in the PRC. The social-production organization of the village and the conditions for reproduction in agriculture were altered in the course of restructuring. Other factors, especially the rise in procurement prices for agrarian output and a system of state procurements stimulating growth in production through increases in procurement prices for additional volumes of sales over compulsory deliveries, also had an effect on the latter.



More than a steady and significant rise in the income of the peasants has taken place in the Chinese village since 1980: quantity here has moved several times into new quality, moreover in almost direct dependence on the spread of the household contract. At the beginning of the five-year plan, the statistically average Chinese peasant had an income at which simple reproduction could be accomplished on his farm only with reductions in his already minimal expenditures for other needs—less than 200 yuan a year. In 1982 his income permitted him, with favorable weather and other conditions, to accomplish simple farm reproduction without reducing spending on clothing, food and cultural needs—233 yuan. In 1983 incomes reached the lower limits of steady simple reproduction—301 yuan—while in 1985, they reached the lower level of unstable expanded reproduction—400 yuan. Different real incomes, of course, are concealed behind the average indicators: 11.3 percent of the peasants faced the necessity of living at the expense of their own labor, expanding the sphere of labor activity, bringing in income through personal initiative or were unable to provide for their own existence (annual income of less than 200 yuan per person in 1985). One out of ten peasants moreover had the opportunity of taking, or had already taken in the course of the 7th Five-Year Plan (1980-85), the path of developing large-scale commodity production.<sup>28</sup>

To what does the experience of Chinese reform in the village testify? That the peasants have come to produce more, better and more efficiently as self-managing lessees than as workers in a commune, despite the fact that the lessees, as a rule, are using manual implements while the communes had highly productive machinery. A third of the village population—that portion of it that is producing commodity output—today feeds an urban population that doubled in 1980-85, after the lifting of prohibitions on territorial migration. In other words, whereas earlier four peasants (80 percent of the population) had fed a single urban resident, today a single peasant handles this task. The general result is that a bad lessee feeds himself, and a good one satisfies the growing needs of the city. He displays, as Chinese experience shows, initiative, wit and knowledge for this. People, in the face of a shortage of funds, buildings or time, are united in the most diverse of cooperatives—from sales and supply to production—and are acquiring the needed equipment, even from abroad.

A simple rise in procurement prices is not enough to provide an incentive for the lessee to increase labor productivity constantly—the assurance of covering the money with commodity output is essential. In other words, the food shortage in the PRC (and possibly the same here) could be eliminated only along with the elimination of shortages of consumer goods and the capital goods and implements essential to the village. Growth in the production of industrial goods occurred through the removal of restrictions on market relations and basic shifts in state economic policy.

The increasing amounts of food in stores and markets in the city facilitated the rapid development of individual labor activity and the creation of private, cooperative and collective enterprises along with enterprises with mixed forms of ownership. The interconnection of these phenomena is not difficult to explain. Up to 70 percent of the earnings of city residents goes for nourishment. Urban labor is consequently paid for first and foremost with food. If it exists, then business activeness exists as well. When food is distributed according to a rationing system, when it is physically not present at all or almost not present in a free market, labor activeness is concentrated at state enterprises. Today it has also become possible at other enterprises not encompassed by the rationing system. Essentially taking part in direct commodity exchange, the city has come to have a vested interest in the production of what the peasant bringing his goods to the city needs today. The mutually stimulating and augmenting process of exchange between small-scale urban industry and the peasantry has become an important factor in reducing both shortages, but it cannot objectively solve the problem of shortages in principle. It is impossible to satisfy all of the population's requirements for the output of small-scale industry and cottage industries in the modern state. The saturation of the market with goods required corrections in the basic provisions of economic strategy. And they were made. Emphasis was placed on the development of production of consumption items, i.e. the development of group B at the expense of group A. Shops and plants that had not produced such output at all before began to be converted to the output of consumer goods. The output of clothing, footwear, household appliances, building materials and chemicals was increased. Licenses, equipment and enterprises for the mass production of items of prime necessity—from shirts to computers—were procured abroad. The production of television sets, for example, increased by hundreds of times. The rapid growth of small-scale industry and the turn of large-scale industry toward the satisfaction of popular needs has made possible the rapid saturation of the market. The growing incomes of the peasants have gone for the construction of housing and the acquisition of televisions and refrigerators.

The impressive success of the Chinese reforms has largely been conditioned by the absence of resistance to restructuring in the village. There was no counteraction, either active—on the part of the *ganbu*—or passive—on the part of the peasants. The *ganbu* really did have something to lose: judging from the materials of the Chinese press at the end of the 1970s, the despotism of the rural *ganbu* would have been the envy even of the Russian serf-holding estate owners. Social confrontation in the Chinese village had thus reached a high level of tension. But whereas during the period of stagnation our bureaucracy had an opportunity and displayed a readiness to guarantee the stable existence of an exceedingly broad segment of workers outside of dependence on their real labor contribution to social production, the *ganbu* did not have such an opportunity. The Chinese village,

by any definition, lived beyond the poverty line. And the peasants were thus not intimidated by unclear and alarming prospects. They were all thirsting for change, and the failed *ganbu* campaign to ease "the peasant's burden" had shown them that changes for the better were possible only with decisive actions, that there could be no question of passivity.

The "cadre workers" offered no active resistance, being demoralized first and foremost by the determination of the peasants. The disbanding of the communes "from below" had crashed down on the *ganbu* like an avalanche, but had become possible under conditions of the loss of the political base for their authority by the latter, which had been founded on their right to determine degrees of political unreliability and impose fines and duties on the peasants. The political rehabilitation of all segments and citizens that was implemented by the CCP and PRC leadership in 1979-80 deprived the *ganbu* of the power of fear. But they undertook no determined counter-offensive, neither at the moment from a possible state of shock, nor after. Why not? It must at least be assumed that some of the *ganbu* quickly recognized the advantage of the new situation, like that of the Kipling elephant calf after his nose turned into a trunk. They saw opportunities for increasing the size of their incomes. In 1978 the CCP leadership advanced the slogan, "Let some of the peasants get well-off first." The *ganbu* turned up in the first ranks of those.

It would be possible to conclude from the words of Zhang Naixun cited above that the *ganbu* are professionally incompetent. But the inevitable question then arises: why, over 20 years of guiding agricultural processes, have the *ganbu* not become competent and zealous managers? Chinese reality of the 1980s provides the answer: many of these people developed as competent specialists in agriculture and the agricultural industry, but these qualities found no application in the commune system. At that time the career of the rural manager depended not on conscientious work for the good of the peasants and the state, but on the fulfillment of any directives, even absurd ones, from superior officials. "Reporting mania" turned into a phenomenon contradicting the interests of society. When other qualities were demanded, the *ganbu* displayed them. The reports of the Chinese press and foreigners that visited Chinese villages testify to the fact that the rural *ganbu* are living very well and have great influence in the villages.

Unfortunately, very little statistical data is published showing the interconnection between education and the organization of highly profitable production,<sup>30</sup> and even less on the social stratification of the better-off part of the village. I cite one of those reports. Some 252 peasant households were discovered with an annual income of about 10,000 yuan in three uyezds of Shanxi Province in 1983. These peasants were not simply rich, but were called "first-rank wealthy." They included 47 percent *ganbu*, 34 percent peasants with skilled trades, 0.9 percent literate youth and 0.8 percent former well-off peasants of average means.<sup>31</sup>

And so the rural *ganbu*, which sooner not so much produced as distributed and consumed, became the producers of commodity output. There is much credit for the *ganbu* in the fact that the Chinese city is finally not suffering from a shortage of food, or the village from shortages of consumer goods. To what does their choice in resolving the dilemma—almost unlimited authority with a low ceiling of the standard of living or the opportunity for an almost unlimited rise in the standard of living through one's own productive labor but a loss of absolute power—testify? That the desired solution in favor of society should be paid for. The social segment of the powers-that-be should be paid by society for the loss of power. It is another matter that under specific conditions called different things—deformation, mimicry, deviation from socialism and the like—the payment should not be the establishment of privileges for one segment of society at the expense of others, but the restoration of socialist norms and principles of life and normal economic relations. The restoration of the principle of pay according to the results of labor in the village and the tolerance of some forms of non-labor income permitted by law (the receipt of dividends on stocks, the hiring of limited manpower etc.) has played a large role in the PRC since the elimination of unwarranted leveling. The whole set of restorative measures and the moral and political atmosphere in society have had an effect in the behavior of the Chinese bureaucracy overall.

#### Footnotes

1. Deng Xiaoping. Basic Issues of Contemporary China. Moscow, 1988, p 219.

2. In summarizing the results of the 7th Five-Year Plan, the then PRC State Council premier, Zhao Ziyang, reported that the average annual increase in gross output was 11 percent, including 12 percent in industry, including rural regions and 8.1 percent in agriculture, and that growth in gross national product was 10 percent (RENMIN RIBAO. 15 Apr 86). The average pay of manual and office workers tripled. See: Zhongguo tongji zhaiyao (Concise Statistical Handbook of China). Beijing, 1986, p 102. Per-capita income in the country quadrupled from 1979 through 1986—more than in the prior 29 years. The share of peasant households with an annual income of less than 200 yuan per person (the "poverty threshold") declined from 72.5 to 11.3 percent (RENMIN RIBAO. 9 Jul 87). Retail turnover in current prices grew 2.8 times from 1978 through 1985 (Concise Statistical Handbook of China, 1986, p 89). Consumer durables, up until quite recently unknown to the overwhelming majority of Chinese, began entering everyday life—televisions, refrigerators, washing machines and much more. Some 648 million square meters of housing were built in the cities over the five-year plan—as much as over all the prior years of popular power. Three quarters of urban families began living in separate apartments. Some 3.2 billion square meters of housing were built in the villages. The housing conditions of over half

the peasants were improved, and there were 14 square meters of housing for every rural resident (RENMIN RIBAO. 2 Jan 87).

3. Deng Xiaoping. *Op. cit.*, p 5.

4. *Ibid.*, p 134.

5. As Deng Xiaoping noted, "after the rout of the 'Four' in 1976 we marched in place for two years, basically due to leftist errors once again" (*ibid.*, pp 132-133). In the USSR roughly the same time interval separates the 20th Congress from the arrest of Beria. Can it be that society needs such a "breather" to get out of the state of shock of many years?

6. The mechanism for the formation of an administrative-command apparatus in the Soviet Union, in my opinion, was demonstrated most completely by G.Kh. Popov (see: G.Kh. Popov. "From the Viewpoint of the Economist. On the Aleksandr Bek Novel 'A New Purpose.'"—*NAUKA I ZHIZN*. 1987, No 4, pp 54-65). An economic approach to considering specific features of the administrative-command apparatus in the PRC is contained in the section "The Excessive Independence of the State and the Problem of the Union of the Working Class and the Peasantry" in the monograph "Rabochiy klass v sotsialno-politicheskoy sisteme KNR" [The Working Class in the Socio-Political System of the PRC] (Moscow, 1981, pp 179-189).

7. Here we should address the two goals of the Cultural Revolution. The first and clear but not main one was reflected in the slogan "Fire to the headquarters" and was connected with the fight for power among various groupings. The second, less clear and outwardly a means of achieving the first, was the establishment of the total dominion of the state over society.

8. In China this process was expressed not only in the resurrection of the estate differences typical of traditional Chinese society, but also the creation of social relations and social partitionings that were at the same time reminiscent of medieval Europe and India.

For information on the socio-economic relations in pre-restructuring China see *The Working Class in the Socio-Political System of the PRC* and the series of basic works by V.G. Gelbras, as well as the roundtable "India and China: Two Civilizations—Two Models of Development" (MEIMO [MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA], 1988, Nos 4, 6).

Domestic historians and economists have essentially not begun researching the analogous processes in our country.

9. Which has been subject to doubt of late, not without grounds. See, for example: V. Selyunin. "Origins."—*NOVYY MIR*. 1988, No 5.

10. Among the theoretical works showing that the same economic impact could be achieved over 15-20 years, i.e.

the time period for the demographic replacement of generations, see, for example: A.G. Zanegin. "Optimal Proportions Between Accumulation and Consumption," Moscow, 1970. The author runs through variations using the methods of economic modeling and concludes that the distortions are an illusory rather than a real acceleration of development.

11. For more detail see: *The Working Class in the Socio-Political System of the PRC*, pp 179-185.

12. It should be noted that notwithstanding the considerable shortage of foodstuffs in our country, we have not had such phenomena. This is evidently explained by the higher level of development of productive forces in pre-revolutionary Russia compared to China.

13. In the 1970s the average income of the city resident was three or more times greater than peasant incomes (see: *The Working Class in the Contemporary World. Statistical Handbook*. Moscow, 1986, p 121).

14. See: *The Structure of the Economy of China*, p 436.

15. Wang Genjin. "Shehuizhui jianshe bixu zunzhong nongye shi jichudy guilü" (In Socialist Construction It Is Essential to Take into Account the Law that Agriculture is the Foundation).—*JINJI YANJIU*. 1979, No 12, p 37.

16. Deng Xiaoping. *Op. cit.*, p 212.

17. *Ibid.*, p 215.

18. As one of the founders of the school of "individual psychology"—A. Adler—postulates, "the ultimate aim of all spiritual aspirations is balance, safety, adaptation and integrity." See: A. Adler. *Individual Psychology. The History of Foreign Psychology (1930s-1960s)*. Texts. Moscow, 1986, p 134.

19. Thus, in China they remember that the brief rejection of sacrifice in 1963-1965 led not only to a sharp rise in living standards, but also to rapid economic growth in all sectors.

20. It is essential in creating an atmosphere of psychological terror to indicate first and foremost the concrete objects of the terror—the so-called "enemies." The division into "pure" and "impure" is not enough for this, gradations of "purity" are needed along with the dismemberment of the opposition, the constant threat of the transformation of "pure" into "impure," a refined mechanism of transformation, the sway of presumptions of guilt, campaigns creating a climate of extreme discomfort for the individual, for whom only one way out remains, one possibility of increasing safety: accuse those close to him of "impurity." All of this is reflected first and foremost in artistic literature. See among works translated from Chinese, for example: Feng Jicai. "The Shout" (see other works as well).—*Contemporary Chinese Prose*. Moscow, 1984; Yu. Dombrovskiy. "The Department of Unnecessary Things."—*NOVYY MIR*. 1988, Nos 8-11.

21. V. Kosov. The Economic Strategy of Restructuring.—PRAVDA, 15 Jun 88. The discussion evidently concerns first and foremost the attempt to plan "from below" under Khrushchev and the so-called "firm plan" under Brezhnev, as well as RAPO and the reorganization of the agro-industry among other things.

22. M. Weber. Agrarian History of the Ancient World. Moscow, p 389.

23. As the Chinese press asserts, "with the creation of communes the state organs obtained the opportunity of controlling the peasants with the aid of orders," while the peasants lost the rights of masters: "Those who cultivate the fields are not managers, and those who manage do not cultivate the fields... Our whole uyezd is one production team. Only one person has the right to be occupied with the cultivation of the fields—the secretary of the uyezd committee" (RENMIN RIBAO, 10 Nov 79).

24. For more detail see: The Working Class in the Socio-Political System of the PRC, pp 179-189.

25. For more detail see: Ibid., p 124.

26. RENMIN RIBAO, 25 Jul 78.

27. RENMIN RIBAO, 11 Jan 79.

28. For more detail see: The Working Class in the Socio-Political System of China, pp 114-127; E.S. Kulpin. The "Burden of the Peasant."—The Traditions of China and the "Four Modernizations" (Informational Bulletin of the USSR Academy of Sciences IDV [Far East Institute], No 33), Part 2. Moscow, 1982, pp 255-267.

29. For more detail see: E.S. Kulpin. "Qualitative Shifts in the Processes of Reproduction of the Workforce."—Advance printing of a paper for the academic conference "Socio-Economic Aspects of the Economic Reform in the PRC" (USSR Academy of Sciences IMRD [Institute of the International Workers' Movement]. Moscow, 1987.

30. Data on the direct dependence between education and growth in income for peasants (a poll of 30,000 households) are cited, for example, in the article by Zhang Tefu "Raising The Level of Training of the Peasants—A Vital Task of Work in the Village" (HONGQI, 1986, No 21).

31. GUANGMING RIBAO, 21 May 83.

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## **Soviet-Chinese Joint Venture to Produce Disposable Syringes**

18250210 Moscow PRAVDA in Russian 24 Sep 89  
Second Edition p 4

[Article by B. Barakhta and A. Rudenko: "Syringes From the People's Republic of China"]

[Text] The small paragraph in "Dialogue" entitled "Syringes From Jiangsu", which was printed on 16 July of this year, has evoked a stream of letters. The problem of regulating the production of single-use syringes in the USSR disturbs many. The Lola (city of Tashkent), Obezbolivaniye (city of Kiev), Vyshe Kryshi (city of Moscow), Lada (city of Maykop), Zhelezobeton (city of Elista), Vita (city of Novopolotsk), and Menedzher (city of Tbilisi) cooperatives; the Donetsk CPSU obkom; the Prizma Optical Mechanical Plant (city of Rybinsk); the USSR Ministry of Power and Electrification's Sodruzhestvo consortium (city of Moscow); the Arina Interbranch Scientific and Technical Center (city of Moscow); the Center for Business Cooperation (city of Lvov); the Soviet-Austrian Joint Technology-Control-Design Enterprise (city of Moscow); the Medtekhnik Production and Trade Association (city of Vilnius); and the Karakalpakskoye Industrial and Trade Association for Consumer Goods (city of Nukus) are prepared to organize joint enterprises with Chinese partners for the production of this necessary product. The Children's Fund imeni V. I. Lenin and the Konto All-Union Production Cooperative Association attached to the Main Administration for Material and Technical Supply in the Moscow gorispolkom have started negotiations with a whole number of PRC organizations on establishing a joint Sino-Soviet enterprise for the manufacturing of single-use syringes.

P. Onishchenko, a Children's Fund department manager has said: "We are communicating with interested PRC organizations through the USSR Trade Delegation in Beijing and have telexed a proposal about establishing a joint enterprise for syringes with a Beijing nuclear research company. We did not go to our Chinese comrades in Jiangsu province because the factory, which produces syringes there, is at the district level and, consequently, does not have the right to directly enter the foreign market place according to PRC laws. Put briefly, we on our part are prepared to do everything possible to provide our doctors with single-use syringes as rapidly as possible. We are awaiting a reply to our proposals from our Chinese comrades."

The Konto cooperative has become the partner of the Children's Fund. V. Ge, its chief specialist, said in a conversation with us:

"We have already found an empty modular structure in Moscow for the production of syringes. An interesting proposal has come from Blagoveshchensk: There, they are prepared to offer a structure with a total area of approximately 30,000 square meters for the production

of single-use syringes. Generally speaking, our cooperative is not thinking of stopping only with this joint enterprise. For example, our Chinese partners are extremely interested in establishing a joint enterprise for the production of plastic materials, including that for syringes, and in opening a hotel, restaurant and trade and cultural center in Moscow. The task is not 'small': An area is needed. The capital's Dzerzhinskiy rayispolkom is prepared to set one aside in the vicinity of Trifonovskaya Street; however, it turns out that a mass of visas and agreements and, in the end, the decision of the Moscow Council's ispolkom are required."

We asked whether this type of joint enterprise had been established with other countries.

G. Chernysheva, chief of the department for new forms of cooperation in the All-Union Soyuzdraveksport Association, says: "Not a single joint enterprise of this

type exists as yet although discussions about establishing them are taking place. Our association is conducting discussions with partners in the United States; the Leningrad Krasnogvardeyets Scientific Production Association—with an Italian firm; and the establishment of an Uzbek-Spanish enterprise is also planned. According to our data, six or seven of these plans are in the coordination stage. The main obstacle here is the shortage of currency. You see, the equipment for producing 500 million syringes a year will cost on the order of 18 million dollars."

In conclusion, we would like to ask the USSR Ministry of Health the following: More than two months have already passed since the paragraph on syringes appeared in PRAVDA and no reaction has been seen on the part of this sedate department. Is it possible that the problem of single-use syringes does not disturb the USSR Ministry of Health?

**Turkmen Official on USSR-Iran Trade Agreement**  
*18350029a Ashkhabad SOVET TURKMENISTANY in Turkmen 4 Jun 89 p 3*

[Interview with Khan Akhmedov, first deputy chairman Turkmen SSR Council of Ministers: "Good Neighborliness"]

[Text] The Soviet Union is not only connected with the Islamic Republic of Iran by means of a border 2.5 thousand kilometers long, but also though traditional good neighborly relations. These relations have taken on a new force after an exchange of letters between Imam Khomeini, the spiritual and political leader of the Islamic Republic of Iran, and General Secretary M. S. Gorbachev, chairman of the USSR Supreme Soviet.

Economic and trade relations between the USSR and Iran have been strengthened. This became especially clear during the 11-18 May Tehran meeting between N. S. Konarev and M. D. Irvan, the chairman of the national departments of the permanent commission for economic cooperation between the USSR and the IRI. Khan Akhmedov, first deputy chairman of the Turkmen SSR Council of Ministers, also took part in the work of this commission as part of the Soviet delegation.

[Question] Khan Akhmedovich, what kind of duties stand before participants in the permanent commission for economic cooperation between the USSR and Iran?

[Akhmedov] Primarily, the duty to strengthen trade and economic relations at all levels. The fact that members of the Soviet delegation held meetings with the leadership of nine ministries of the Islamic Republic of Iran demonstrates the scope and range of their mutual interests.

Among the questions under discussion by members of the permanent commission of both countries are the building of plants for reprocessing agricultural and animal products, building installations to transport water from one region to another, and cooperation and exchanging experiences in fighting against the aridification of lands, irrigating pasture lands and developing the best grades of grain and cotton. Questions such as combatting insects and diseases harmful to crops, fighting against flooding and the fishing industry were also examined.

In the course of meetings with Iranian specialists we came to the conclusion that, based on mutual experience and expertise, it would be especially easy to resolve many questions on the basis of usefulness and equality for each of us.

A commission of experts from both countries have drawn up plans for a number of agreements on economic cooperation between our countries. We hope that Khashemi Rafsanjani, head of the majlis of the Islamic Republic of Iran, will sign these agreements in the course of the talks he will be conducting with M. S. Gorbachev, general secretary of the CPSU Central Committee, at the time of his June visit to the USSR.

[Question] You represented Turkmenistan during the Tehran talks. In what direction do you see relations developing between these two republics which are situated on both sides of Kopet-Dag?

[Akhmedov] Above all, the most interesting issue is the building of the Mashhad-Saragt-Tejen railroad. In the draft agreement both sides are to implement the necessary measures on their own territories for the construction of tracks and highways between the Tejen - Saragt and the Soviet-Iranian border, and Mashhad - Saragt and the Iranian-Soviet border.

At Iran's request, the USSR will provide Iran with the necessary technical aid to implement the project for railroad construction on its own territory on the basis of the agreement and will supply it with certain materials and equipment as well. Subsequently, there will be an agreement on the time frame, scope and conditions of this cooperation signed by competent organs of both countries.

[Question] As is well known, the sources of the Tejen, Atrek and Sumbar rivers, which provide water for agricultural lands in Turkmenistan, emanate from Iran. During the Spring rains the waters of these rivers rise significantly and a substantial part of them is being lost. In view of this situation, is the building of water reservoirs under consideration?

[Akhmedov] During dry years the waters of these rivers fall off. When there are heavy rains part of this valuable water is absorbed into the steppe. Thus, it has been considered worthwhile to examine the question of building a reservoir in a place called Chad on the border. With the help of this reservoir we can satisfy the thirst for thousands of hectares of land in the subtropical zone of both sides of the Soviet-Iranian border.

A group of Iranian specialists examined this question when they were in Turkmenistan. They also studied the question of building a reservoir in Pulkhat on the Tejen River. Such contacts have not only been set in motion among reservoir specialists, but also among geologists and drilling specialists. A delegation from Iran's national oil company came to Turkmenistan and held fruitful talks with specialists from the Turkmengeologiya scientific-production organization. Representatives of both sides came to the general conclusion that careful geological exploration for oil and gas in certain areas on the Turkmen-Iranian border should be done so that its oil and gas wealth could be determined.

Abbas Afshar, head of the delegation, said that new areas would emerge as a result of determining the oil and gas situation of these and other rayons and that this would serve each other's mutual interests and to increase the wealth of both countries.

At the same time, a team of specialists headed by Bayram Myradov, deputy chief of the Turkmengazprom, group was in the Islamic Republic of Iran. At the invitation of Iran's oil company Turkmen specialists in

the Soviet geological delegation studied the possibilities of drilling wells during their two weeks in this country. They gave the area called "Assalus" in Pars province special attention.

Along with this a protocol was signed. According to this agreement Turkmen specialists with great experience in very complex geological structures and in drilling will come to this country shortly to help Iranian specialists.

[Question] Khan Akhmedovich, should one attach any great importance to cross-border trade between the two countries?

[Akhmedov] In the course of the talks both sides suggested suggested the developing and broadening of working relationships and cross-border trade between organizations, companies and cooperatives of the appropriate union republics of the USSR and provinces of Iran in the border area.

Iran's Khorasan Province is one of the provinces bordering our republic. We have already discussed opening an Iranian store in Ashkhabad this year. It would offer the Turkmen consumer agricultural goods and industrial products produced in Iran.

We would also open a store in Mashhad, the major city of Khorasan. The Iranian side expressed a great interest in products manufactured in Turkmen plants and factories: mineral fertilizers, construction materials, dough kneading machinery, gas ranges and kerosene-driven ventilators.

It demonstrates clearly that the amount of trade between Turkmenistan and Khorasan will reach several million rubles in turnover this year.

At the end of May another delegation headed by M. Mogaddes'yan, advisor to the deputy Minister of Roads and Transport of Iran, came to Ashkhabad. Mr. Gazizade, a deputy in Iran's majlis was also in the delegation along with experts in Iran's rail transport.

At this point we should mention that his electoral district is located in the Saragt section of Iran. Members of the delegation went to take a look at Tejen and Saragt together with a group of Soviet specialists. They

acquainted themselves with the conditions for the construction of the Tejen - Saragt - Mashhad railroad and highway.

The deputy of Iran's majlis said that he was very interested in developing cross-border trade. He met with leaders of the republic's Ministry of Trade, State Agroindustrial Committee and Turkmenistan Consumers Union and discussed matters of interest to him, toured one of the kolkhozes and examined commercial buildings.

We received an invitation to send our own delegation to Mashhad. Specialists from the republic Ministry of Trade, Turkmenpotrebsoyuz and the foreign trade organization of Turkmenintorg will be included in the delegation.

[Question] How was the work of the bipartite commission for economic cooperation between our countries viewed in Iran?

[Akhmedov] One can state openly that the work of the commission received a positive evaluation. Mir Khosseyin Musavi, Prime Minister of the Islamic Republic of Iran, said "In the future we will turn our borders with Azerbaijan and Turkmenistan into a border of friendship of our peoples."

The head of the Iranian government gave special stress to the development of cross-border trade and noted the great possibilities which exist in this area.

Along with this Mir Khosseyin Musavi said that some of our organizations were dragging their feet is resolving a number of questions. In the course of the visit to the USSR of Khashem Rafsanjani, the chairman of Iran's majlis, and his meetings with M. S. Gorbachev, he said that trade and economic relations between the two countries will reach a high level. The examination of questions like the construction and reconstruction of metallurgy factories, hydroelectric and fuel driven electric stations, building reservoirs and the railroad, and the study of the problems of outer space are being planned.

After many years of stagnation relations between the Soviet Union and the Islamic Republic of Iran are improving. This gladdens the people of both countries. When we were in Tehran and Isfahan we felt that the Iranians viewed us with sympathy and good intentions. We knew that they wanted relations between the USSR and the IRI to be constructive and mutually rewarding.

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